

EXPLORING CHALLENGES AND OPPORTUNITIES
OF UNDERSERVED BUSINESSES IN THE 21ST
CENTURY

HEARING
BEFORE THE
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX, AND CAPITAL ACCESS
OF THE
COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

HEARING HELD
FEBRUARY 7, 2019



Small Business Committee Document Number 116-003
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

34-645

WASHINGTON : 2019

HOUSE COMMITTEE ON SMALL BUSINESS

NYDIA VELÁZQUEZ, New York, *Chairwoman*
ABBY FINKENAUER, Iowa
ANDY KIM, New Jersey
SHARICE DAVIDS, Kansas
JARED GOLDEN, Maine
JASON CROW, Colorado
JUDY CHU, California
MARC VEASEY, Texas
DWIGHT EVANS, Pennsylvania
BRAD SCHNEIDER, Illinois
ADRIANO ESPAILLAT, New York
ANTONIO DELGADO, New York
CHRISSY HOULAHAN, Pennsylvania
VACANT
STEVE CHABOT, Ohio, *Ranking Member*
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa, *Vice Ranking Member*
TRENT KELLY, Mississippi
TROY BALDERSON, Ohio
KEVIN HERN, Oklahoma
JIM HAGEDORN, Minnesota
PETE STAUBER, Minnesota
TIM BURCHETT, Tennessee
ROSS SPANO, Florida
JOHN JOYCE, Pennsylvania

ADAM MINEHARDT, *Majority Staff Director*
MELISSA JUNG, *Majority Deputy Staff Director and Chief Counsel*
KEVIN FITZPATRICK, *Staff Director*

CONTENTS

OPENING STATEMENTS

Hon. Andy Kim	Page 1
Hon. Kevin Hern	6

WITNESSES

Ms. Marla Bilonick, Executive Director, Latino Economic Development Center, Washington, DC	4
Ms. Sharon Pinder, President & CEO, Capital Region Minority Supplier Development Council, Silver Spring, MD	7
Mr. Davy Leghorn, Assistant Director, American Legion Veterans Employment & Education Division, Washington, DC	9
Mr. Michael Romano, Sr. Vice President of Industry Affairs & Business Development, NTCA—The Rural Broadband Association, Arlington, VA	10

APPENDIX

Prepared Statements:	
Ms. Marla Bilonick, Executive Director, Latino Economic Development Center, Washington, DC	23
Hon. Kevin Hern	27
Ms. Sharon Pinder, President & CEO, Capital Region Minority Supplier Development Council, Silver Spring, MD	29
Mr. Davy Leghorn, Assistant Director, American Legion Veterans Employment & Education Division, Washington, DC	36
Mr. Michael Romano, Sr. Vice President of Industry Affairs & Business Development, NTCA—The Rural Broadband Association, Arlington, VA	44
Questions and Answers for the Record:	
Questions from Hon. Bradley Schneider to Mr. Davy Leghorn and Answers from Mr. Davy Leghorn	54
Additional Material for the Record:	
CCA-Competitive Carriers Association	56

EXPLORING CHALLENGES AND OPPORTUNITIES OF UNDERSERVED BUSINESSES IN THE 21st CENTURY

THURSDAY, FEBRUARY 7, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON ECONOMIC GROWTH,
TAX, AND CAPITAL ACCESS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:10 a.m., in Room 2360, Rayburn House Office Building. Hon. Andy Kim [chairman of the Subcommittee] presiding.

Present: Representatives Kim, Davids, Schneider, Delgado, Radewagen, Hern, and Spano.

Chairman KIM. We are going to get started here. We have a number of members that are coming over from the National Prayer Breakfast so they will come in and the Ranking Member will come in as he is able.

I am Chairman Andy Kim. I am eager to get started here. I just want to have an opportunity to be able to make sure we are hearing from the incredible people that we have today that are going to be sharing with us.

Small businesses make up over 99 percent of all businesses in the United States and employ almost half of our nation's workers. In 2018 alone, America's small employers added 1.9 million net new jobs to the economy. As I have seen firsthand in my district in New Jersey, Main Street businesses are the backbone of our communities.

In my home state, small businesses employ nearly two million people, making up nearly half of the private workforce. Among them are approximately 58,000 veteran-owned businesses and over 250,000 female-owned businesses, which is why I am particularly happy to be chairing this hearing today.

While nearly every entrepreneur faces obstacles when it comes to getting a new business off the ground and running, entrepreneurs from traditionally-underserved backgrounds tend to face even greater barriers to entrepreneurial success.

We often hear that access to capital is the biggest challenge facing aspiring entrepreneurs. As the lifeblood of all new businesses, affordable capital is crucial to starting a business. Without it, new firms often cannot buy inventory and equipment, pay their employees, and expand operations.

Unfortunately, studies have shown that women, minority, and veteran-owned businesses face heightened obstacles to securing affordable capital. For example, the Minority Business Development Agency found that minority-owned firms experience denial rates three times higher than other firms. Despite a similar demand, 60 percent of veterans reported a financing shortfall and had approval rates 10 percent lower than all other firms.

In response to these challenges, minority-owned firms are more likely to rely on personal sources of funding, such as savings, a family member, or credit. This unfortunate reality is not only unsustainable, it is also hindering small business growth.

Unfortunately, barriers to entering Federal procurement markets are also common for underserved firms. Federal contracts are a great source of potential for business growth and it is crucial that we find ways to make them more accessible to budding small firms.

Setting government-wide small business contracting goals was a meaningful step towards increasing small business participation in the Federal procurement marketplace. However, as the numbers show, we will have work to do to level the playing field for underserved businesses.

For instance, women-owned businesses were awarded \$21 billion of the total \$500 billion in contracts for fiscal year 2017. This is highly disappointing considering that women entrepreneurs contribute over \$1 trillion a year to the U.S. economy.

Meanwhile, rural businesses are facing a unique set of challenges, including smaller labor pools, slow population growth, net outmigration, and health problems including diabetes and opioid addiction. Though these issues impact rural communities at large, they can also have a devastating impact on rural entrepreneurship and business growth.

To address these disparities, SBA created several initiatives which we will hear more about today. For many underserved businesses, initiatives such as Small Business Development Centers, Women's Business Centers, SCORE, and Veterans' Business Outreach Centers are there to provide mentorship and other key services.

Today, I look forward to hearing the recommendations and feedback of our distinguished witnesses to strengthen these initiatives, as well as other Federal programs and private sector actions serving underrepresented entrepreneurs.

I hope today's hearing will be a productive opportunity to explore the challenges facing small firms while identifying areas where we can work together on legislation that seeks to level the playing field for America's small businesses.

Thank you.

The Ranking Member will submit his statement for the record.

And if other Committee members have opening statements prepared, we would also ask that they be submitted for the record.

I would like to take a minute to explain the timing rules. Each witness will get 5 minutes to testify. Each member will get 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, the yellow light will come on when you have 1 minute remaining, and the red light will come

on when you are out of time. And we will ask that you stay within the timeframe to the best of your ability.

Now, I would like to introduce our witnesses. Our first witness is Ms. Marla Bilonick. Ms. Bilonick has been the executive director of the Latino Economic Development Center since 2014. She has also worked for Seedco where she assisted businesses in Lower Manhattan that were impacted by the attacks of September 11th. Ms. Bilonick is a member of the board of directors of the National Association of Latino Community Asset Builders. She is a graduate of the University of Wisconsin at Madison and received her Master of Arts degree from Johns Hopkins University of Advanced International Studies (SAIS).

Welcome back, Ms. Bilonick.

Our second witness is Ms. Sharon Pinder. Ms. Pinder is the president and CEO of the Capital Region Minority Supplier Development Council (CRMSDC), a nonprofit corporation whose mission is to link corporations and government agencies with minority business enterprises. Prior to joining the council, she served as the director of the Mayor's Office of Minority and Women-Owned Business Development for the City of Baltimore. She was also Maryland's first appointed cabinet secretary of the Governor's Office of Minority Affairs. Ms. Pinder holds a Master of Science degree in Technology Management from the University of Maryland, University College, where she has the honor of serving as professor of practice in the School of Graduate Studies.

Welcome, Ms. Pinder.

Our third witness today is Mr. Davy Leghorn. Mr. Leghorn is the assistant director of the Economic Division of The American Legion where he oversees employment, small business, and VA contracting policies. He also administers The American Legion's Veteran Entrepreneurship Program. Mr. Leghorn served as a motor infantryman in the United States Army, then as a civil affairs specialist with the 450th Civil Affairs Battalion. He currently serves as the sergeant-at arms for George Washington Post 1 in The American Legion Department of the District of Columbia.

Welcome, Mr. Leghorn, and thank you for your service.

And today's final witness is Mr. Mike Romano. Mr. Romano serves as a senior vice president of Industry Affairs and Business Development for NTCA, the Rural Broadband Association. NTCA represents roughly 850 telecom companies throughout the United States, many of whom are located in rural communities and small towns with a goal of "building a better broadband future for rural America." Prior to joining NTCA in 2010, Mr. Romano worked at Bingham McCutchen LLP, Global Telecom and Technology, America Online, and Level 3 Communications and Swidler Berlin. Thank you for joining us today.

I want to just get started right from the beginning, so Ms. Bilonick, you are recognized for 5 minutes.

STATEMENTS OF MARLA BILONICK, EXECUTIVE DIRECTOR, LATINO ECONOMIC DEVELOPMENT CENTER; SHARON PINDER, PRESIDENT AND CEO, CAPITAL REGION MINORITY SUPPLIER DEVELOPMENT COUNCIL; DAVY LEGHORN, ASSISTANT DIRECTOR, AMERICAN LEGION VETERANS EMPLOYMENT AND EDUCATION DIVISION; MICHAEL ROMANO, SENIOR VICE PRESIDENT OF INDUSTRY AFFAIRS AND BUSINESS DEVELOPMENT, NTCA-THE RURAL BROADBAND ASSOCIATION

STATEMENT OF MARLA BILONICK

Ms. BILONICK. Good morning, Subcommittee Chairman Kim and members of the Subcommittee. It is my sincere honor to be speaking with you all today.

My name is Marla Bilonick, and I am the executive director and CEO of the Latino Economic Development Center (LEDC).

LEDC is a 28-year-old organization with the mission to drive the economic and social advancement of low- to moderate-income Latinos and other underserved communities in the D.C. and Baltimore metropolitan areas. We operate out of six offices in the region, with over 40 professional and bilingual staff providing top-notch services to our clients. On an annual basis, we serve well over 4,000 low- to moderate-income residents. We are a SBA Micro-lending Intermediary, SBA Community Advantage Lender, and certified Community Development Financial Institution (CDFI).

Since we began lending in 1997, we have rolled out more than \$15 million in capital and have provided small business technical assistance services to thousands of aspiring and existing small business owners in the region. LEDC is a member of, and I sit on the board of the Opportunity Finance Network, a membership organization representing the over 1,000 CDFIs in the United States. The challenges I will outline are consistent with what we hear from our fellow CDFIs operating similarly underserved communities around the nation.

LEDC exists to help underserved populations overcome the challenges that stand in their way of achieving their full potential for achieving financial stability and income mobility. While the challenges before them are countless, those I would characterize as the most significant are: lack of access to capital, lack of access to information and educational resources, poor or no credit history, and systemic and institutional racism and sexism.

In my testimony, I will elaborate on each of these barriers to success. As the head of a Latino-facing organization and member of the Board of Directors of the National Association of Latino Community Asset Builders (NALCAB), I will also include information on small business challenges that are specific to the Latinx community.

So starting with lack of access to capital, the traditional commercial banking system is often not a viable resource for underserved small businesses. Commercial banks defer to a fixed minimum credit score they will accept for loan approvals and are further hindered from serving small businesses due to restrictions around lending to startups or providing smaller-dollar financing. A recent report from the Woodstock Institute cited that the number of CRA-

reported loans under \$100,000 in 2015 remained 58 percent lower than in 2007. What is more, bank branches are consolidating and closing at a steady clip, with 1,700 bank branches closing in the 12 months between June 2016 and June 2017.

The alternative for underserved entrepreneurs operating in this climate is to take out credit cards that often charge high interest rates, access high-cost financing via the emerging online lending industry, tap into merchant service cash advances, obtain a loan from a loan shark, or obtain a loan from the CDFIs in their area. I will note that we have several loans in our portfolio that are re-structured financing deals for entrepreneurs who fell prey to the allure of online lenders.

On the other hand, data shows that CDFIs in OFN's membership alone have originated more than \$65 billion in financing in urban, rural, and native communities through 2016. To quote OFN's president, Lisa Mensah, "CDFIs exist to move money to places missed by traditional lenders." However, CDFIs face challenges in terms of reaching the very communities that need our services due to minimal or nonexistent marketing budgets, challenges to capitalizing our loan funds, and/or sustaining the high overhead costs associated with the labor-intensive loans we underwrite.

In terms of lack of access to information and educational resources, starting or growing a business is not for the faint at heart. In an ideal scenario, an entrepreneur has the time and support to complete an in-depth business plan, complete with a market analysis, elaborate revenue projects, a well-developed management plan, and options for financing their one-time startup costs, as well as ongoing or variable costs to come.

Unfortunately, underserved entrepreneurs do not always have access to business planning information or resources, nor do they have the time to invest in business planning as they are looking to their business ideas as a source of income for themselves and their families.

In addition, the regulatory framework is a maze of processes and agencies that few could understand without outside support. Depending on the business type, entrepreneurs frequently need to go through several licensing agencies and register with their state and jurisdiction to be compliant. Layer on top of that the language barrier that many of our immigrant Latinx clients face, and it is doubly challenging to meet compliance requirements.

I am actually going to skip the reference to poor and no credit history, although it is a significant challenge. I want to get to sort of the last section which I think is probably the most challenging around systemic and institutional discrimination.

So my testimony cites the same research that you cited, Mr. Kim, from MBDA, around the disproportionate disapprovals for minority and female borrowers. And, you know, just showing that identical applications from minority and nonminority applicants were rejected up to 54 percent times more frequently. And for women, women-owned businesses received nearly 50 percent less funding than men-owned businesses, and that funding actually declined by 42 percent between 2016 and 2017.

In closing, my request would be that we do not lose sight of the protections for consumers in general, as well as minorities. The

CFPB, OCC, Fed, and FDIC should continue and deepen their evaluation of commercial bank activities with regard to the demographics of who is and who is not receiving loans.

Just yesterday, the CFPB said it plans to abolish most of its critical consumer protections governing payday loans. And while that is not necessarily a direct correlation with our small business clients, it just is a signal to the attitude of the CFPB at this moment in time, which is certainly troubling. Specifically, the CFPB should finalize its implementation of section 1071 of the Dodd-Frank Act, which would require financial institutions to compile, maintain, and report information regarding credit applications made by women-owned, minority-owned, and small businesses. This kind of information would provide policymakers with insights into the precise shortcomings of diverse businesses in seeking credit, enabling policymakers to craft narrowly-tailored legislation designed to remedy the shortcomings within each of these entrepreneurial communities.

Thank you.

Chairman KIM. Thank you so much.

Before we move on to our next witness, I just wanted to recognize our Ranking Member here and turn it over to him for his opening statement.[16]fb[17]

Mr. HERN. Thank you, Mr. Chairman. Thank you for your kindness in doing that. My apologies for my tardiness. We were at the National Day of Prayer, so I appreciate that.

I just want to say that as a small businessperson for 34 years and a person who has lived the American dream, come from extraordinary poverty to being a very successful businessperson, there is nothing that has been a greater joy for me later in my life than to help small businessmen and women see their ideas brought to life, to start small businesses, to help so many try to find, actually write business plans, and to find access to capital, help them mold and model their business plans to work.

And so with about 99.9 percent of all businesses in the United States being classified as small, the impact that small businesses have on our economy cannot be overstated. In my home state of Oklahoma alone, we have over 340,000 small firms who employ over 700,000 people. Many of these businesses are owned by minorities, women, and veterans, and many of these businesses are located in rural areas.

Small businesses owned by minority, women, and veterans face a unique set of challenges, ranging from raising adequate financing, to building social capital, to finding the effective mentors. Rural businesses, however, while facing those challenges, also tend to face a different set of challenges, most notably, access to reliable and affordable broadband service.

Today, more than 24 million Americans lack access to high speed internet, the vast majority of whom live in rural communities. When comparing urban and rural broadband development, 97.9 percent of urban America has access to both fixed and mobile broadband, while only 68.6 percent of rural citizens have the same access.

The lack of a solid business case for rural broadband deployment remains a certain reason for what is often referred to as the “dig-

ital divide.” Large telecommunications companies have little incentive to invest in broadband infrastructure in areas with low population density. Instead, small telecommunications carriers are far more likely to invest in rural communities, often because they are communities. Frequently, however, these small firms face numerous challenges in their efforts to increase broadband access.

Small businesses specifically require access to reliable and affordable technology to compete with larger competitors. According to a recent study, digitally advanced small businesses were shown to be more than three times likely to create jobs and experience revenue growth at a rate four times higher than small businesses who do not employ technology. Yet, despite such outstanding returns, many small businesses do not take full advantage of the technologies available to them. Often, this is due to owners not realizing the benefits of such tools offered to them, or simply lacking access to reliable technological resources as a result of cost or location.

Today’s hearing will allow us the opportunity to further discuss these and other challenges that businesses owned by minority, women, veterans, and rural Americans face while also exploring potential ways to improve and elevate these issues moving forward.

I look forward to hearing from our witnesses, I again apologize for my tardiness, and to having a productive conversation.

Thank you, Mr. Chairman. I yield back.

Chairman KIM. Thank you. I look forward to working with you on this Subcommittee to do what we can for small businesses. And I have to say I am just in awe of your experience, the great success that you have had over your career, your particular knowledge about small businesses. I think it is going to add a tremendous amount of expertise to this Subcommittee, and I am looking forward to working with you on that.

Mr. HERN. Thank you.

Chairman KIM. Why do we not get moved back to the witness panel?

I want to move it over to Ms. Pinder, if you do not mind. You are recognized for 5 minutes.

STATEMENT OF SHARON PINDER

Ms. PINDER. Good morning. I am Sharon Pinder, and for the last 4 years I have been the president and CEO of the Capital Region Minority Supplier Development Council. Good morning, Chairman Kim, Ranking Member Hern, and distinguished Committee. I thank you for the opportunity today to have this conversation.

Today I am actually in real awe as I look at the picture of the late Congressman Parren Mitchell on the wall when he was Chairman of the Small Business Committee. I think about 40 years ago, and the foundation of all MBE programs that exist today, Public Law 95-570. And so as we look at the basis of the foundation of MBE programs and its challenges, we will talk about day, they (challenges) still exist 40 years later.

The Capital Region Minority Supplier Development Council, is the nation’s certifying body for the private sector created on the heels of civil unrest in the late 1960s, our mission is to certify, develop, and advocate for minority businesses.

The Capital Region Minority Supplier Development Council (my particular territory) is the State of Maryland, District of Columbia, and Northern Virginia. In addition to that, I operate two Minority Business Development Agency (MBDA) Centers. One is the MBDA Business Center Washington D.C., and the other one is the only federally funded center, federal procurement center.

Yesterday, I was talking to a group of minority businesses and I just arbitrarily asked the question, "What are your issues?" "What are the problems that you face as businesses"? And without script, just generally what they said to me was (1) capitalization or the undercapitalization of their businesses; (2) not having that network or those relationships; and (3) not being able to navigate as you look at contracts opportunities.

As we look at the 21st century, many programs and ideas aimed at leveling the playing field have existed for over 40 years, and across this country we witness enormous gaps that exist between the current measures of minority and women availability and number of relative size of minority-owned firms that you would expect to exist across the country. These gaps are not without severe consequences for economic health of the country as a whole.

When minority businesses thrive, communities of color thrive as well. Diverse businesses which are more likely to hire local and employ people of similar backgrounds work as powerful forces for economic development. Communities of color will become the majority in 2044 or before. And how minority businesses fair will impact the sustainability and strength of our nation.

Our nation's economic history is rich with examples of public policy and government actions facilitating the spirit of entrepreneurship and directly contributing to the success of capitalism. At critical junctures throughout the industrialization of America, the Federal Government has proactively redirected the flow of commerce and in effect has launched the birth of new giants of American industry. From the issuance of Federal land grants that were essential to spurring the growth of railroads and to breathing life into the telegraph and telephone industries, from granting the licenses and broadcasting frequencies to radio and television companies, and from the construction of Federal highway systems to the creation of aviation and aerospace programs, the government has been a willing partner in forging a path for new industries.

For example, the adoption of airmail as the primary mode of transportation for the U.S. Postal Service consequently aided in contracts to a number of airlines and placed them in a path that they became really successful in the private airline industry.

Due to time, I am going to skip down to the next part of my testimony.

So what we should consider that timing is everything and that this is a critical juncture in our history with an opportune time to use the model of the past for purposeful and intentional support from the government. Today's minority businesses can be tomorrow's moguls, whereas past discriminatory practices prevented their participation in building some of the nation's top industries because quite frankly minority businesses were not at the table when those industries were born. There is an opportunity now by which minority businesses can benefit by being at the table during

the infancy of some of today's emerging industries and technologies. As in the past, partner with the government and as that industry grows, those minority businesses will grow as well. Thank you.

Chairman KIM. Thank you for that. And I agree with you. Timing is everything. And we are at a critical juncture, which is why we were grateful to have your expertise here today to help us think through the way forward. So thank you so much for that.

Mr. Leghorn, I want to turn it over to you. You are recognized for 5 minutes.

STATEMENT OF DAVY LEGHORN

Mr. LEGHORN. Chairman Kim, Ranking Member Hern, and distinguished members of the Subcommittee, on behalf of our national commander, Brett R. Reistad and the nearly two million members of The American Legion, we thank you for the opportunity to testify today on exploring challenge and opportunities faced by veteran businesses.

In our testimony, we covered a broad spectrum of topics from Federal contracting to entrepreneurial development programs and access to capital. We would like to dedicate the balance of our time this morning to just two issues.

One detriment to the veteran small business industrial base has always been the misinterpretation of legislation that has designated SDVOSBs as a preferred contracting group. In legislation from 1999 and 2003, Congress gave SBA and other agencies broad business development authority to help veterans. Unfortunate, the SBA and FAR Council announced in 2005 rulemaking comments that government-wide SDVOSB program was for established businesses and was not meant to aid in development for new businesses.

The Kingdomware decision affirmed the intent of the SDVOSB set-aside goal in the Veterans Entrepreneurship and Small Business Development Act of 1999, was to encourage small businesses and was not intended for the purpose of fulfilling a quota. The Supreme Court opined that the goals exist to provide real opportunities for service-disabled veterans and that the subsequent enactment of the Veterans Benefits, Health Care, and Information Technology Act was ancillary in nature to the Veterans Entrepreneurship and Small Business Development Act and shares the same intent.

This is significant because agencies are now reminded that this reasoning applies to both the Small Business Act goals as well as goals under agency-specific laws like the Veterans First Contracting Program at VA. The American Legion had hoped that the outcome of Kingdomware would force SBA and the FAR Council to revisit the rules of the Veterans Entrepreneurship and Small Business Development Act. This has not occurred. To this end, The American Legion asked Congress to encourage SBA and the FAR Council to carry out their business development authority.

Further, the Kingdomware decision signaled the Supreme Court's approval for a model of veterans first or service-disabled veterans first to exist in contract set-aside and preference pro-

grams. Congress can now extend this model government-wide in a Small Business Act or an agency-specific legislation.

Additionally, The American Legion would like to discuss our support for SBA's entrepreneurial development programs. Since 2012, the Boots to Business curriculum taught during the military's Transition Assistance Program has been very successful. Since its implementation, Boots to Business has been the litmus test that has convinced veterans to launch their business or to delay the process until they are ready.

In the 2019 National Defense Authorization Act, there was an attempt to make at least one of the TAP capstone courses mandatory. The American Legion supports this effort and hopes this will expose more service members to SBA and their grantees.

The American Legion believes more service members should have access to SBA programs. Currently, National Guard and reservists are not eligible for veteran entrepreneurship and loan programs until they are activated under Title 10. This is why The American Legion supports legislation that would amend 15 USC to extend the eligibility for veteran-focused SBA programs to service members who have been ordered to perform active service for more than 30 consecutive days.

Increased utilization of SBA's veteran-centric programs will require more veteran business outreach centers (VBOC). The American Legion supports the creation of more VBOCs.

Puerto Rico, Guam, Virgin Islands, and American Samoa are often overlooked for veterans programs and services, despite the heavy military presence and recruitment efforts that occur there. This is why we support the Puerto Rico Small Business Assistance Act. The American Legion asks this Committee to authorize VBOCs in Puerto Rico and other underserved areas where veterans reside.

In conclusion, Chairman Kim, Ranking Member Hern, and distinguished members of the Committee, The American Legion thanks you for the opportunity to explain the position of nearly two million members of The American Legion, and we look forward to any questions you may have.

Chairman KIM. Thank you, Mr. Leghorn. That was very informative.

I want to turn it over to Mr. Romano. You are recognized for 5 minutes.

STATEMENT OF MICHAEL ROMANO

Mr. ROMANO. Thank you, Mr. Chairman.

Good morning, Chairman Kim, Ranking Member Hern, and members of the Subcommittee. Thank you for the opportunity to testify today.

My name is Mike Romano. I am the senior vice president at NTCA-The Rural Broadband Association. We represent approximately 850 small businesses that provide broadband in rural America.

Our hope today is to offer a helpful perspective as a complement to the discussion of underserved areas and populations by my fellow witnesses. The capital-intensive nature of building infrastructure is particularly challenging in light of the deeply rural, sparsely

populated areas NTCA members serve. Yet even as our members' rural broadband networks are difficult to build and maintain, they are essential to ensure that other small businesses and consumers in rural America can connect with the rest of the world.

Indeed, we believe that a key to helping underserved communities of all kinds in the 21st century is to deliver 21st century connectivity—high-speed broadband upon which users can rely to invest in and operate their own businesses to create jobs and provide opportunity.

Investing in broadband has far-reaching effects for urban and rural America alike, creating efficiencies in health care, education, agriculture, energy, and commerce. America needs rural broadband not only to help farmers efficiently produce crops sold across the U.S. and around the world, but to help small businesses of all kinds participate in the national and global economies and to help all rural citizens experience the life-changing benefits of distance learning, telemedicine, and teleworking.

This task of connecting everyone, however, is easier said than done. These challenges can present in different ways in different parts of the country for different communities of users. In rural areas, communities are more likely to be underserved from a broadband perspective because the economics of connecting them are difficult, if not impossible to overcome. Distance and density present physical challenges unlike any other for the business case of deploying and sustaining connections. To compound the business case further, rural areas are on average poorer than many urban areas and have lower broadband adoption rates.

Despite such challenges, NTCA's small business members have worked to connect rural America through an effective mix of entrepreneurial spirit, community commitment, and Federal and state support programs. Most NTCA members live and work in the communities they serve. They therefore have every incentive to upgrade networks that connect their workplaces, their kids' schools, their libraries, and their hospitals. But as I mentioned, the business case is challenging and complicates greatly both access to and use of capital.

This is where Federal and state programs play a key role. For example, the Federal Universal Service Fund (or USF) enables and sustains communications infrastructure in rural America, helping carriers make the business case needed to justify loans or use of other private capital. Although the USF's effectiveness was hampered for years due to arbitrary caps and regulatory uncertainty, the FCC responded late last year to consistent calls from hundreds of members of Congress on a bipartisan basis, calling for an infusion of resources and other improvements. It is our hope that the bipartisan reforms adopted by the FCC will unleash a new round of broadband investment in rural areas and help to sustain the networks already built.

It is important too that the USF programs involve more than just helping connect rural areas. More than two decades ago, Congress wisely structured the USF as a comprehensive umbrella with components that seek to address connectivity concerns for discrete sets of potentially underserved populations through coordinated pro-

grams—schools and libraries, low-income consumers, rural healthcare, and high cost support for rural networks generally.

Indeed, in helping to make sure rates for services are affordable on rural networks, the high cost program of USF helps Americans living in rural poverty afford better access to communications. We therefore believe the Federal universal service mechanisms as a whole represent a well-thought, comprehensive strategy aiming to ensure that every American—regardless of the specific challenge that renders them at risk of being unserved or underserved—will be connected.

The Rural Utilities Service (or RUS) also plays a significant role in helping small broadband providers access capital to deploy infrastructure in areas where returns on investment are measured in decades. Congress has expanded the role of RUS and rural broadband deployment through significant resources for new broadband loans and grants. These additional funds are welcomed and it is now important to ensure that the USF and RUS and other programs are coordinated and used as efficiently as possible.

Much has already been accomplished in connecting rural America. For example, 70 percent of NTCA's members' customers already have access to 25/3 megabits broadband which the FCC deems to be the standard at this point for broadband, and many have faster connections, even up to gigabit service.

But much work remains, too, especially in the areas not served by smaller operators like those in our membership where a digital divide exists.

We look forward to working with your Subcommittee and your congressional colleagues to ensure that we can address the connectivity needs of underserved and unserved areas and keep connected those areas that are fortunate enough to be served today. Thank you.

Chairman KIM. Thank you. And I just wanted to thank again all four of you for your testimony here today.

I will certainly start moving forward with turning it over to my distinguished colleagues in just a few minutes but I did want to just start by asking a few questions myself.

I want to start by saying I come into this position with a lot of humility. You know, I have a lot to learn. All of us have a lot to learn about what it is that we can do to serve small businesses, and the four of you, amongst many others, bring that kind of experience that we need to keep hearing about.

I joined this Committee, and this was a priority of mine because my district in New Jersey is a small business district. You know, my district has, from the largest employer, a joint military base, but all the small businesses that continue to serve the base or are a part of both Burlington County and Ocean County.

My priority is always to protect these military families and, veterans living in my district in particular. And less than 3 months ago, SBA and the Federal Reserve Bank of New York released a comprehensive report on the state of entrepreneurship for military veterans, and it is quite frankly concerning. The report found a generational decline in veteran entrepreneurship with fewer young veterans owning businesses than past generations. At the same

time we are now beginning to see veterans owning businesses at lower rates than nonveterans.

I want to ask unanimous consent to submit this report to the record.

Without objection, the motion is agreed to.

We know that historically the opposite has been true, that veterans have been generally more entrepreneurial than nonveterans. Of course, the skills gained during military service, teamwork, discipline, perseverance, a strong work ethic and crisis management all are important parts of the equation and those skills certainly have not changed.

So Mr. Leghorn, I want to build off of your very informative statement. I want to ask you, just taking a step back, what has changed? You know, why in your experience are fewer young veterans launching businesses and having difficulties with access to capital and the financing shortfalls? I just wanted to hear from you that bigger picture.

Mr. LEGHORN. Thank you for your question, Chairman. I think the main reason why we are not seeing as many veterans get into small business these days and embrace that entrepreneurial spirit is because of the recession and we are still kind of climbing out of the recession. A lot of these folks are very hesitant to take risks right now. As the economy improves, I hope that this is a trend that will be reversed.

In terms of lending, I think one of the rather cool things that have happened since the decline of regional and community banks is that lending has kind of diversified and this is a trend we would like to see a lot more of and I think when the veterans do come back and start their own businesses the lending field is going to be very different for them and it is going to be very conducive to starting new business.

Chairman KIM. Thank you for that.

Based on what you were saying, what we have heard from all four, not every business owner experiences the same struggles when starting or growing a business. So Mr. Leghorn, just one final follow up. What are some of the obstacles unique to veteran startup companies? I want to get a better sense of what you feel like is particular obstacles or opportunities that are being faced and things that we might be able to do to support.

Mr. LEGHORN. The main thing that hampers veteran-owned small businesses is collateral and we are generally cash poor. You know, and that is why folks like what I spoke about before with the diversity of lending and CDFIs are so important for the veteran community because normal bank products generally do not work for us and larger banks are less likely to make 7(a) loans to folks without collateral.

Chairman KIM. Well, thank you for that.

I want to make sure we turn it over to my other colleagues who I am sure have very insightful questions.

So Ranking Member, Mr. Hern, I want to turn it over to you. You are recognized for 5 minutes.

Mr. HERN. Thank you, Mr. Chairman.

As an opening statement to your testimony, I will tell you, I look around. I think I may be the oldest up here. I have been creating

jobs for a long time. I know that. First small business 1985. I will tell you, also having started a bank and still in banking, I sat on the board until I got this gig in November and I had to resign that board. But I chaired the Loan Committee for 10 years. And as you probably can imagine, I have a tremendous heart for small businesses and people who want to take that journey.

Mr. Leghorn, you said your problem with your folks are lack of collateral and cash poor. I will tell you that represents about 99.9 percent of the folks out there that have an idea, is how do I get that idea off the ground? So I would say that is probably ubiquitous to everybody that is trying to create a business for the first time.

I will tell you, you are so right that there are a lot less community banks today than there were 15-20 years ago. And Dodd-Frank was really the catalyst to that because right now community banks over the last 5 years are hiring a lot more compliance officers than they are actually lending officers because you still have to make money in the banking business and you have to also comply with Federal Government regulations.

So, you know, you all have to work within the banks. The banks are very competitive. They are trying to loan to everybody and they still have to meet the creditworthiness that is required of them of the Federal Government because they are monitored relentlessly, audited by the Federal Government and by their banking institutions in their states. And so as we look at this, you know, we have got to figure out how to help folks get mentored, and I think your agencies do that. How to present a business plan, because everybody has to look at everybody as if there are no color, there are no genders, to actually make a loan. Because we have to have the ability to repay our loans, either through a guaranteed process through the SBA, or if it is a traditional loan, which many are made, there obviously has to be the ability to actually function and make that loan work.

Ms. Pinder, could you tell me, since we are talking about this mentorship, could you tell me how you do that with the folks that you represent in getting them off the ground if they come to you with an idea?

Ms. PINDER. Our organization is made up of the Fortune 500 type companies of corporations. So we do not necessarily look at startups. And so when a startup comes to us, our question is "Are you ready to do business with these corporations?" And if they are not ready to do business, offer building capacity support. And so startups, depending upon the industry, because sometimes industry if it is like information technology or if that is the idea, may attract more equity (funding) kind of things. But to answer your question, we do mentor companies in terms of getting them prepared to do business with our corporations. And we do that in a number of ways.

We have a MBE Academy. We have educational and training programs to help people become, at the end of the day, competitively viable.

Mr. HERN. Okay. Mr. Romano, more and more people today, usually they are sole proprietors, they do not really have employees. They have an idea and to go from being an idea to having multiple employees, which lends itself to usually going into an urban

area, if you live in the rural area which many of Americans do, especially throughout the Midwest, how does what you are trying to accomplish, putting broadband in rural areas, how does that help them make that transition from an idea to concept of starting, making money, getting contracts and work, to getting employees?

Mr. ROMANO. Thank you, Ranking Member Hern.

I would say the first thing is if you are looking to locate a business, one of the first things we hear from relocation firms or from folks looking to get something off the ground is what kind of connectivity do I have? Because whether it is obtaining supplies, finding customers, finding markets, that connectivity is critical.

One of the programs we have started is called Smart Rural Community, and it is really intended to focus on not just the fact that you have got networks out there but sort of celebrate and accentuate the uses of them—focusing on what are people doing to generate economic development, job creation, and therefore be able to stay in a rural area rather than have to move necessarily to the city. We want people to be able to choose where they live rather than be forced to live in a certain place based upon what kind of access they have.

Mr. HERN. Thank you.

One last question for, is it Ms. Bilonick? Oh, wow, two in a row. That is good.

Could you help me understand, and I apologize that I missed your opening statements, but could you let me know what is your default rate of when you are trying to lend and get folks started?

Ms. BILONICK. So we have typically stayed below a 10 percent default rate, which we feel is excellent given the fact that we are giving loans to what folks would call sort of the most risky population out there. That is startups. That is folks with poor or no credit. And so we are very proud of the default rate.

Mr. HERN. That is incredible.

Ms. BILONICK. Yeah, thank you.

Mr. HERN. Thank you.

Chairman KIM. Great. Thank you for that.

I want to recognize my colleague from New York, Congressman Delgado.

Mr. DELGADO. Thank you, Chairman, Ranking Member. Thank all of you. I find your testimony very, very informative.

I am going to get right to it. I have a few questions.

So in parts of my district, Upstate New York, Hudson Valley, Catskills, very, very rural area. I have driven by signs that say broadband access coming soon. It is a sight that is hard to imagine in New York, in the USA, in the 21st century. I cannot overstate how big an issue this is for small businesses and communities in my district and Upstate New York. Mr. Romano, your testimony very powerfully speaks to that. In today's global economy it is unthinkable that startup businesses; mom and pop shops; young students; small dairy farmers; and innovative, sustainable ag operations are being left behind. Left behind because of where they live and operate.

Now, my state has made significant investments of late to bridge this gap, but as we look to a more connected future, I think it is critical that we also work to ensure equitable broadband access.

And again, as you note in your testimony, the minimum service thresholds today will be unworkable for folks tomorrow. We should be aspirational as we think about the quality and speed of service folks need to keep up with our rapidly changing economy.

So with that in mind, Mr. Romano, what is an acceptable speed of service? Not by definition, but in practice. And how can we ensure rural communities like mine do not get left behind again?

Mr. ROMANO. Thank you, Congressman.

We have a number of members in your district and I know that they are doing a very good job with broadband but they also look around and see the challenges you are talking about. New York is taking important steps to try to address that.

It is somewhat frustrating sometimes when you focus on a static speed definition. You're building a network that is financed for and then intended to last for decades, 20 years. We really believe that you should be looking more at the future proof utilization of the network, the applications that are going to be utilized, not aiming for a speed standard by date X but thinking about will that network be scalable to fulfill demands that we might expect reasonably 10, 15, 20 years from now, telemedicine applications, 4K TV definitions, 8K and beyond. So we really like to focus more on the future-proof nature of the technology underlying the network than speed at any given moment in time specifically.

Mr. DELGADO. And I appreciate your desire not to want to put a number out, but is there a range?

Mr. ROMANO. I would say we should be aiming for networks that are capable of delivering at least 100 megs today and scalable to hit gigabit and beyond tomorrow.

Mr. DELGADO. Good.

Another issue, again, this is for you, Mr. Romano, is broadband mapping. Current mapping practices rely on census blocks, meaning that if just one home in that block has broadband, the entire area is considered served. In rural areas, one census block can span several counties. Can you talk a little bit about the importance of establishing an accurate national broadband map?

Mr. ROMANO. One of the most significant problems in identifying where broadband is needed is false positives. Overstatement of coverage that leads to—in census blocks that might be miles wide—one customer on one part of one location denying service essentially to a customer miles and miles away. Movement towards a more granular or accurate map is going to be important. I would submit that granularity and accuracy are not the same thing. We need to both get more granular and get more accurate. Unless you are going to independently verify the submissions by providers in question, I believe you are always going to need sort of like what RUS is looking at now, a challenge process or some way of having a verification of no matter what kind of data is submitted by a provider, ultimately having the opportunity to say, yeah, they are there or no, they aren't. That is the only way we are going to get to make sure that no customer is left behind simply because they happen to live in a geography where somebody else claimed to serve.

Mr. DELGADO. Thank you. Thank you.

And I have just one more question for you, Ms. Bilonick. I really appreciate your remarks.

I want to speak to some of the limitations you outlined for CDFIs. And putting aside the impact of Dodd-Frank, you do list a couple of other items that you think pose stress or strain on your ability to do the work that you are doing. Specifically, and I just want to note, too, that in my district the work that your kind of program provides has had a tremendous effect and has provided a lot of opportunities, particularly for folks actually just north in the Albany area. So I really appreciate that work.

But specifically, you talk about nonexistent marketing budgets, challenges to capitalizing on your loan funds and/or sustaining the high overhead costs associated with labor-intensive loans we underwrite.

Could you specifically tell me what we can do to help address these factors?

Ms. BILONICK. So I think to start, the marketing issue is an issue that all CDFIs face. I think anyone who has worked in the industry and gone to a dinner party knows that once you tell someone that you work for a CDFI it is then like a 20 minute later conversation describing what CDFIs do, the coverage in the whole United States and the impact that we have.

So one thing, you know, specifically, I think, and I was actually speaking with OFN about this as well, is just a broader marketing campaign about the existence of CDFIs. I think there are so many clients that come through our offices that say we had no idea this existed, if I had only known 10 years ago, you know, fill in the blank. But it is just sort of the best kept secret out there and we really feel like that, and maybe that is more at the local level in doing PSAs and some things we could certainly engage our local governments in as well.

And then with regard to capitalizing our loan funds, I would just, I would not say beg but I would request that you please keep the line items for CDFI fund in Treasury and the Small Business Administration be fully funded because that is something that really impacts our bottom line it is actually the lowest cost capital that we can access in terms of debt to then relend out.

And then my last issue around the labor intensity of the work that we do, we are really dependent on the philanthropic community, whether that be government grants or corporate foundation grants that we rely on just because the work that we do lending with small businesses is so intensive. You know, if you walk into a bank you may meet with a loan officer and then they ship your application to a central office located elsewhere and that is sort of the end of the story and you may have a really quick turnaround, but there is not that face to face and personal experience. For us, we are typically working with people who have a very big story behind what they are presenting on paper and then in addition to that what they are presenting on paper requires a lot of support from us to actually get from their idea phase to like we help people put together their projections for their loan applications to us. So we are doing a lot of technical assistance just in the underwriting process, so it is not, you know, we do have an algorithm that we use internally but it is not like a spit it into the machine and get

a response, which is the beauty of CDFIs, and that is how we are able to do the loans that we are able to do, but it costs a lot of money and it costs a lot of manpower even at our most efficient.

Thank you so much. Thank you.

Chairman KIM. Great. Thank you so much.

I want to now recognize the gentlelady from American Samoa.

Ms. RADEWAGEN. Talofa. Good morning.

I want to thank Chairman Kim and Ranking Member Hern for holding this hearing. I represent the territory of American Samoa. We have the highest enlistment rate in the United States Army, and because of that we are also among the highest veteran rate per capital. Veterans and serving reservists own and operate businesses throughout my district, so I would like to direct a couple of questions to you, Mr. Leghorn, though you are all welcome to answer if you have any additional input.

What resources are veterans currently lacking during their business creation process?

Mr. LEGHORN. Thank you for your question, ma'am.

One of the issues with the military's Transition Assistance Program is that it overly focuses on making resumes. The problem with American Samoa is that when veterans go back to American Samoa there are not any employers there for them to give a resume to. What American Samoa really needs is a VBOC so that there can be economic development and veterans can go back and actually create jobs. So that is definitely something I see that needs to happen.

Ms. RADEWAGEN. Okay. Your testimony highlights challenges associated with veteran participation in the Federal contracting process. Can you please expand on what those challenges are and any solutions you would recommend? And what role does mentorship play in veteran entrepreneurship?

Mr. LEGHORN. So I think there were two questions there. I will tackle the first one. I will parse them apart.

So in terms of participation in Federal contracting, like we mentioned in our testimony, the foundation legislation that created SDVOSBs as a preferred contracting group was focused on established businesses and it was determined at the time that it was not meant for business development. So what that means is that in Federal contracting right now we see a huge sum of money being given to very few small businesses, whereas we want the business development aspects to lead the program towards giving more money to a larger pool of veteran-owned small businesses.

And the second part of the question was regarding what we are doing mentorship-wise?

Ms. RADEWAGEN. Yes.

Mr. LEGHORN. Okay. So The American Legion is one of the few organizations that offer small business counseling. We help you with your governance documents. We help you onboard to VA's Vet First program. And we also provide advocacy and also we do a lot of events that bring government officials into the room where veteran small businesses can interact with them. So pretty much advocacy, counseling, and events is what we do.

Ms. RADEWAGEN. Thank you.

And so as a follow up to that, what additional resources are necessary to foster increased mentorship opportunities?

Mr. LEGHORN. Can you clarify if you meant what The American Legion needs?

Ms. RADEWAGEN. Well, what additional resources are necessary to foster increased mentorship opportunities? That would be part of it.

Mr. LEGHORN. Well, I definitely think The American Legion could use another small business counselor and advocate like me. I think on the government side we definitely want more entrepreneurial development programs for veterans. We want the programs to have more of a business development aspect. We want access to the 7(J) program, and definitely more VBOCs. When we are talking about mentorship, VBOCs are where the rubber meets the road for veterans.

Ms. RADEWAGEN. Thank you, Mr. Chairman. I yield back.

Chairman KIM. Thank you.

I want to now recognize the gentlelady from Kansas, Congresswoman Sharice Davids.

Ms. DAVIDS. Good morning. Thank you for your time, and I really enjoyed reading through your testimony. I know I missed a significant portion of it.

But there are a couple of things, so I am actually in the Kansas City metro area in Kansas and I always love to talk about how entrepreneurship is baked into the DNA of the community that I live in. And because of that, one of the things that I have seen a lot of is this idea of an ecosystem, and actually, I am sure that you all have talked about this a lot, is the ecosystem that is needed to support entrepreneurs and small businesses as they develop and grow from very small businesses to small businesses that can do contracting with larger organizations.

Can you talk a little bit about the, maybe coalition, if it is coalition building that you have done? I know the OFN exists and there are a few other spaces. And actually, this is probably something that all four of you could maybe say a little bit of something about. I think that when we look at statistics, like the Kansas City Fed did a report not too long ago showing that across the country African American women are the highest, fastest growing segment of entrepreneurs, and I know in Kansas City, the Kansas City area, we have got an ecosystem that can help support folks, like law firms, SEED Law in Kansas City does a lot of work with small businesses. We have got a number of other organizations that help people from CDFIs until they are ready to take on larger contracts.

Can you talk a little bit about how we can look at, I do not know if it is metrics? I do not know what it is, but how we look at how we are supporting the entire ecosystem, not just individually CDFIs or mentoring programs. You cannot mentor your way out of not having access to capital. So can you talk a little bit about that?

We will start here with Ms. Bilonick. Thank you.

Ms. BILONICK. So I would just say we have been very lucky in that we have had at the local level and national level sort of pre-existing coalitions like OFN, like the National Association for Latino Community Asset Builders. At the local level we are part of a coalition called the Coalition for Nonprofit Housing and Eco-

nomic Development, which is a longstanding organization that has people both from the housing and small business development side of work here in Washington, D.C.

I think what is challenging, at least from my point of view, and I do not purport to speak for the entire panel, but from my perspective I think the coalitions that exist between like organizations are there and are in place. The more challenging piece is forming coalition and community between needed partnerships that are in differing spaces. For example, you mentioned like the legal field. So we have a partnership with the D.C. Bar Pro Bono Legal Clinic, but that was sort of happenstance because someone on our board is the person that leads that clinic. And so I think fostering those kinds of relationships would be extremely valuable for the ecosystem. Like, those of us who are operating in the same space, we know each other, we see each other at meetings. You know, we work together. But I think the more challenging hurdle for us to overcome as an ecosystem is really bridging those networks that are sort of outside of our comfort zone or outside of our usual suspects because those networks, you know, I mean, I would even say for myself, the people on the panel are not people that I work with on a daily basis and we could all benefit from working together. And so, you know, that is where I think there is a big challenge.

Ms. PINDER. Again, thank you for your question.

I think what we need to do is recognize that some groups are different. You talked about African American women being the fastest growing segment in entrepreneurship, and they are. And so when you then think about wraparound services for businesses, it is not a cookie-cutter approach. I always tell businesses that they need the ABCs. That is the attorney, banker, and the CPA. Right? And so once you have that foundational kind of activities understand that is an integral part of your business it helps. But I agree with my colleague, there are some intersections of resource that are available. Whether you are the person that wants to kick the tires and see if an idea works, well, there are resource centers for that, whether that is PTAP, SBRC, and that kind of thing. And so just an understanding of those issues that businesses face, in particular businesses of color, you know, and looking at microlending, for example, looking at alternative methods of financing businesses, bootstrapping is, yes, universal in terms of people starting businesses, but the long-term effect of businesses that are bootstrapped, which mean started without capital on minority businesses is greater than other businesses. And so just recognizing what those nuances are relative to groups of entrepreneurs.

Chairman KIM. Ms. Davids, do you want to follow up?

Ms. DAVIDS. Well, the time ran out.

Chairman KIM. Yeah, I mean, I am happy to allow it.

Ms. DAVIDS. Do you mind? Yes, do you mind if we take the time? Thank you.

Mr. LEGHORN. Thank you for your question, ma'am. And I believe part of your question was regarding metrics. And that is the part that I really want to address.

From our testimony, we discussed how SBA and the resource partners were really reliant on metrics drawn from the 7(a) loan program. The 7(a) loan program has diminished in utilization coin-

ciding with the disappearance of regional and community banks. So we do not believe that the 7(a) loan should be used as the primary metric anymore. I do not know what other metrics might be but we have to find other ways of getting information aside from pulling it all from 7(a) loans when it comes to job creation and lending.

Mr. ROMANO. And to pick up on that point about metrics, there is no shortage of metrics in the telecommunications industry, but one thing I think that could be relevant here is the areas our members serve, a town of 5,000 people is a metropolis. And so any small business growth there accrues to the benefit of the community as a whole because there are not that many businesses to start, and a lot of people working from home even as well, telecommuting, if you will, teleworking. Some way though it occurs to me that tracking sort of small business growth in these deeply rural areas paired with, quite frankly, and there are statistics separately on this, what kinds of increases in connectivity—what has made it possible for the small businesses to either establish, relocate, or grow in those deeply rural areas—I think is the kind of metric that would be relevant to see the better broadband somebody gets, how much better do they do in terms of building and growing small business.

Ms. DAVIDS. Thank you.

Chairman KIM. Thank you so much. Thank you again to all the witnesses for taking time out of your schedule to be with us here today, and I want to thank my colleagues as well for their time and for their insightful questions and points.

As we have heard today, we certainly have our work cut out for us. As we are striving to create more opportunities for underserved businesses, small businesses, from accessing affordable capital to being able to meaningfully compete for contracts in the Federal procurement marketplace, underrepresented entrepreneurs have had the deck stacked against them for too long and it has kept them from creating good private sector jobs in their local neighborhoods.

I look forward to working with my colleagues to find policy solutions that will empower them to create the good-paying jobs of the 21st century.

I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the Committee, we are adjourned. Thank you.

Mr. HERN. Mr. Chairman, can I say one thing?

Chairman KIM. Yes, please.

Mr. HERN. I just want, because in business you are about getting results, and I know that you are probably going to leave here and feel like you testified and nothing really got done. But we will work hard on this because it is so important to our nation and I said this in our Full Committee, that we cannot have big businesses in the future if we do not have small businesses today because we are the incubators, the small businesses, for all the big businesses that we have in American today that put so many people to work. So I know you are not asking to create more programs. You are asking us to help make these better and secure them. And so I assure you that I will work with my Chairman that we make

that happen with the team, that we look at every opportunity. And I am with you on the metrics, and Ms. Davids, my colleague from Kansas. You know, the problem in business is when you have more than one set of books you never get anything done. So we have to find the right numbers that measure everything because every group that is asking us for help will say that they are the fastest growing. And so we have to really determine the fastest growing and where the real needs are because it is different across this very nation and we have to make sure that we take care of everyone to the best of our abilities. Thank you.

Chairman KIM. Thank you for that. I think that spirit and that energy is something all of us here on the Subcommittee feel. There is a reason why I wanted to join this Committee on Small Business because it has a reputation of just working together across the aisle, bipartisanship, to be able to get things done for small businesses in America. And I think I am looking forward to working with the Ranking Member and members on both sides for us to be able to make sure that we can move ahead in that productive way.

So we certainly will follow up. We are eager to get to work and do what we can to improve the overall climate and ecosystem, to borrow a word, for small businesses in America.

So thank you again. We stand adjourned. Thank you.

[Whereupon, at 11:23 a.m., the Subcommittee was adjourned.]

APPENDIX



Testimony of Marla Bilonick

Executive Director/CEO, Latino Economic Development Center-LEDC

Provided to the Committee on Small Business

Subcommittee on Economic Growth, Tax, and Capital Access

"Exploring Challenges and Opportunities Faced by Underserved Businesses in the 21st Century"

February 7, 2019

Good Morning Subcommittee Chairman Kim and Members of the Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital Access. It is my sincere honor to be speaking with you all today about the challenges and opportunities faced by underserved businesses in this century. My name is Marla Bilonick and I am the Executive Director and CEO of the Latino Economic Development Center-LEDC.

LEDC is a 28-year old organization with the mission to drive the economic and social advancement of low-to moderate-income Latinos and other underserved communities in the D.C. and Baltimore Metropolitan Areas by equipping them with the skills and tools to achieve financial independence and become leaders in their communities. We operate out of 6 offices in the region, with over 40 professional and bilingual staff providing top-notch services to our clients. On an annual basis we serve well over 4,000 low- to moderate-income residents. Scanning all of our programs, the majority of our clients are Latino (60%) and a sizeable portion are African-American/Black (30%). The remaining portions are White/Caucasian and Asian (10%). Our core asset-building programs are: Housing Counseling, Affordable Housing Preservation; Small Business Capacity Building; and Small Business Lending. We are a SBA- Microlending Intermediary and certified Community Development Financial Institution (CDFI). LEDC receives support for our small business services from partners including the Small Business Administration, CDFI Fund (Treasury), private corporations, and philanthropic foundations.

Since we began lending in 1997, we have rolled out more than \$15 million in capital in the form of over 1,200 small business loans. We've provided small business technical assistance services to thousands of aspiring and existing small business owners in the region. Last year, LEDC distributed close to 200 loans in the communities we serve. LEDC is a member of and I sit on the Board of the Opportunity Finance Network, a membership organization representing the over 1,000 CDFIs in the United States. The challenges I will outline are consistent with what we hear from our fellow CDFIs operating in similarly underserved communities around the nation.

Our reason for existence is to help underserved populations overcome the challenges that stand in the way of them reaching their full potential for achieving financial stability and income mobility. The entrepreneurs we serve face formidable hurdles in starting and expanding their businesses and it's our role to help them to overcome and eliminate those hurdles. While the challenges are countless, those that I would characterize as the most significant are:

- Lack of access to capital,
- Lack of access to information and educational resources;
- Poor or no credit history, and
- Systemic and institutional racism and sexism.

In my testimony, I will elaborate on each of these barriers to success and will close with a description of how nonprofit organizations and community development organizations like LEDC work every day to mitigate these challenges. As the head of a Latino-facing organization and member of the Board of Directors of the National Association of Latino Community Asset Builders-NALCAB, I will also include information on small business challenges that are specific to the Latinx community.

LACK OF ACCESS TO CAPITAL

According to an August, 2018 report from the Small Business Administration, the most common source of capital to finance business expansion is personal and family savings, with 22% of entrepreneurs relying on that source. However underserved entrepreneurs do not frequently have sufficient savings built up or friends and family that can personally invest in their business ventures. They do not have the proverbial “rich uncle” to reach out to for an interest-free family loan or grant. Thus, they turn to institutional lenders, credit cards, or alternative sources of financing that often come with a hefty price tag attached.

The traditional commercial banking system is often not a viable resource for underserved small businesses. Commercial banks typically have a fixed minimum credit score they will accept for loan approvals and are further hindered from serving small business due to restrictions around lending to start ups or providing smaller-dollar financing. A recent report from the Woodstock Institute cited that the number of CRA-reported loans under \$100,000 in 2015 remained 58% lower than in 2007. What’s more, bank branches are consolidating and closing at a steady clip, with 1,700 bank branches closing in the 12 months between June, 2016-June, 2017. This environment is not small-business friendly.

The alternative for underserved entrepreneurs operating in this climate is to take out credit cards that often charge high interest rates; access high-cost financing via the emerging online lending industry; tap into merchant service cash advances; obtain a loan from a loan shark; or tap into the Community Development Financial Institutions in their area. I will note that we have several loans in our portfolio that are restructured financing deals for entrepreneurs who fell prey to the allure of online lenders promising fast cash, only to realize they had signed off on deals that were, indeed, too good to be true.

On the other hand, data shows that CDFIs in OFN’s membership alone have originated more than \$65 billion in financing in urban, rural, and Native communities through 2016. To quote OFN’s President, Lisa Mensah, “CDFIs exist to move money to places missed by traditional lenders.” However, CDFIs face challenges in terms of reaching the very communities that need our services due to minimal or nonexistent marketing budgets; challenges to capitalizing our loan funds, and/or sustaining the high overhead costs associated with the labor-intensive loans we underwrite.

LACK OF ACCESS TO INFORMATION AND EDUCATIONAL RESOURCES

Starting or growing a business is not for the faint at heart. In an ideal scenario, an entrepreneur has the time and support to complete an in-depth business plan, complete with a detailed market analysis, elaborate revenue projections, a well-developed management plan, and options for financing their one-time start-up costs as well as the ongoing or variable costs to come. This plan provides a framework and sequencing that sets up the entrepreneur for success. Unfortunately, underserved entrepreneurs do not always have access to business planning information or resources. Nor, do they have time to invest in business planning as they are looking to their business idea as a source of income for themselves and their family. We have had many a client come to our doors with business cards and a signed lease in hand...BEFORE they have mapped out how their idea will play out as a living business.

In addition, the regulatory framework is a maze of processes and agencies that few could understand without outside support. Depending on the business type, entrepreneurs frequently need to go through several licensing agencies and register with their state and jurisdiction to be compliant. Layer on top of that the language barrier that many of our immigrant Latinx clients face, and it's doubly challenging to meet compliance requirements. Organizations that provide small business coaching and training are critical to helping underserved entrepreneurs to navigate the regulatory framework and adequately plan their businesses from concept to implementation.

POOR OR NO CREDIT HISTORY

The 2017 Small Business Credit Survey found that 50% of small businesses rely exclusively on their owners' personal credit scores to secure debt and another 37% use both the owners' personal scores and business credit scores. According to Forbes 2018 article, *Why Minorities Have So Much Trouble Accessing Small Business Loans*, "The average minority small business owner has a credit score of about 707—15 points lower than the average small business owner in the U.S. A nearly perfect credit score is basically mandatory for the most advantageous bank loans, even though there are numerous plausible explanations as to why an otherwise responsible and dedicated business owner would have poor or very little credit history."

Meanwhile 50% of LEDC's lending goes to entrepreneurs with credit scores lower than 640, which is considered "Fair" by the credit bureaus and would never be sufficient to clear a traditional bank loan.

For Latinx communities, the culture of credit that prevails in the United States is not always culturally compatible with the cash-based and distrusting of financial institutions experience of their home countries. Many of our clients keep cash in their homes, rather than place it in a bank. In addition, given current anti-immigrant sentiments, there is a segment of our client base that distrusts institutions in general for perceived fear of undermining their ability to live in the United States.

SYSTEMIC AND INSTITUTIONAL DISCRIMINATION ON THE BASIS OF RACE, ETHNICITY, AND/OR SEX

Underserved small business clients face institutional and systemic discrimination on the basis of race, ethnicity, and/or sex. A 2016 Independent Business Survey conducted by the Institute for Local Self Reliance reported that of the business owners who applied for a bank loan in the past two years, 54% were rejected. The Minority Business Development Agency's (MBDA) research finds that minority business owners are denied loans at nearly three times the rate of non-minority owners. More troubling is that even when minority owners have access to capital it comes at inequitably high cost. A recent report in Forbes, co-authored by staff from the Kauffman Foundation, found that minority business owners receive higher borrowing costs, are offered smaller loans, and have their loan applications rejected more often than non-minority applicants. The study goes on to describe that even when minority-owned businesses have identical business characteristics and credit reports compared to their non-minority-owned counterparts, they still gain less access to credit.

The lending gap for women is also dramatic. A prominent fintech company, reports that in 2017, women-owned businesses received nearly 50% less funding than men-owned businesses, and that funding for women-owned businesses declined by 42% between 2016 and 2017.

For immigrant and Latinx populations, the language barrier can present unfortunate opportunities for discrimination and abuse. Many of our clients sign off on contracts or leases with extremely unfavorable terms due to their lack of understanding. We also find that unethical characters prey on immigrant

communities and charge exorbitant rates for services that are free or low-cost to the public such as registering a business or obtaining permits or business licenses.

CDFIs and small business technical assistance providers can mitigate the challenges posed by systemic and institutional discrimination by targeting the very populations that are victims of discrimination. In addition, small business support organizations must be active in advocacy at the local and national levels to ensure that discriminatory practices be called out and admonished and predatory lending practices be eliminated. Federal agencies such as the Consumer Financial Protection Bureau, Office of the Comptroller Currency, The Federal Reserve Bank, and Federal Depositary Insurance Corporation should continue and deepen their evaluation of commercial bank activities with regard to the demographics of who is and is not receiving loans. Specifically, the CFPB should finalize its implementation of Section 1071 of the Dodd-Frank Act, which would require financial institutions to compile, maintain, and report information regarding credit applications made by women-owned, minority-owned, and small businesses. This kind of information would provide policymakers with insights into the precise shortcomings of diverse businesses in seeking credit, enabling policymakers to craft narrowly-tailored legislation designed to remedy the shortcomings within each of these entrepreneurial communities.

CLIENT PROFILES

To end on a positive note, I would like to highlight two client success stories that are exemplary of clients that have defied the aforementioned challenges. These American heroes are forging pathways to economic security for themselves and the families they support.

Ana Cecilia Mendoza got her start in construction nearly 15 years ago. When she first moved to the U.S. she cleaned hotels, waited tables, and flipped burgers. But the paychecks she was bringing in barely covered the cost of her babysitter. Desperate to provide for her family, she began working in construction after realizing how much more lucrative that industry was. She was not intimidated by the work, insisting “Since I was a little girl, my father took me to the fields (in El Salvador). He taught me how to be strong and do a man’s job.” She recently decided to open up her own construction company, Cecilia Construction, LLC. With an emphasis on hiring women, the business will provide interior construction services such as drywall installation. She began to work with one of our coaches in early 2018 and enrolled in our Entrepreneur Training for Success course in October of last year. She has developed a marketing strategy and is registering her business with the District. She plans to be open for business in June of this year.

Gabriela Febres and Ali Arellano are life and business partners who started off selling Venezuelan cheeses to a growing network of fans several years ago. From there, they began cooking traditional Venezuelan foods including Arepas, which spawned their food truck concept, *Arepa Zone* which was funded by LEDC through their initial loan in 2013 of \$25,000. The food truck quickly grew to viral follower status and they could barely keep up with demand. From there, they won a business competition for a year’s free rent on a booth in DC’s Union Market. This growth was facilitated by LEDC’s second loan of \$27,000. They took on their next goal of having their own brick and mortar restaurant and launched a fast casual location right off of Scott’s Circle in the District, catering to an active business and residential crowd. LEDC invested in the brick and mortar location with a \$100,000 loan. These clients are direct recipients of loans originating from the following Federal sources: CDFI Fund, SBA, and HHS Community Economic Development. They are a shining example of success and have created 11 jobs in Washington, DC with potential for many more as they continue to grow.

Opening Statement of Ranking Member Kevin Hern**Committee on Small Business****Hearing: “Exploring Challenges and Opportunities of
Underserved Businesses in the 21st Century”****February 7, 2019****As Prepared for Delivery**

Thank you for yielding, Chairman Kim.

With 99.9 percent of all businesses in the United States being classified as small, the impact that small businesses have on our economy cannot be overstated. In my home state of Oklahoma alone we have over 340,000 small firms who employ over 700,000 people. Many of these businesses are owned by minorities, women, and veterans and many of these businesses are located in rural areas.

Small Businesses owned by minority, women, and veterans face a unique set of challenges, ranging from raising adequate financing, to building social capital, to finding the effective mentors. Rural businesses, however, while facing those challenges, also tend to face a different set of challenges, most notably, access to reliable and affordable broadband service.

Today, more than 24 million Americans lack access to high speed internet, the vast majority of whom live in rural communities. When comparing urban and rural broadband deployment 97.9 percent of urban America has access to both fixed and mobile broadband, while only 68.6 percent of rural citizens have that same access.

The lack of a solid business case for rural broadband deployment remains the central reason for what is often referred to as the ‘digital divide’. Large telecommunications companies have little incentive to invest in broadband infrastructure in areas with low population density. Instead, small telecommunications carriers are far more likely to invest in rural communities, often because they are their communities. Frequently, however, these small firms face numerous challenges in their efforts to increase broadband access.

You may ask, why do small businesses need broadband access? Why is this a challenge to rural businesses? Simply put, small businesses need access to modern technology to compete in the modern marketplace. In 2018, 95 percent of Americans own a cell phone and 89 percent of Americans use the internet. Technology has influenced nearly every aspect of society. From manufacturing to education, access to technology is synonymous with success.

Small businesses specifically require access to reliable and affordable technology to compete with larger competitors. According to a recent study, digitally advanced small businesses were shown to be three times more likely to create jobs and experience revenue growth at a rate four times higher than small businesses who don’t employ technology. Yet despite such outstanding returns, many

small businesses do not take full advantage of the techniques available to them. Often, this is due to owners not realizing the benefits such tools offer them, or simply lacking access to reliable technological resources as a result of cost or location.

Today's hearing will allow us the opportunity to further discuss these and other challenges that businesses owned by minority, women, veteran and rural Americans face while also exploring potential ways to improve and elevate these issues moving forward. I look forward to hearing from our witnesses and to having a productive conversation.

Thank you and I yield back.



Written Testimony of
Sharon R. Pinder
 President of the Capital Region Minority Supplier Development Council
 Operator of the MBDA Business Center, Washington, DC and the Federal
 Procurement Center
 Before the
 U.S. House of Representatives
 Committee on Small Business
 Subcommittee on Economic Growth, Tax, and Capital Access
**"Exploring Challenges and Opportunities Faced by Underserved Businesses in the
 21st Century"**

Rayburn House Office Building Room 2360
 Thursday, February 7, 2019

Good Morning Chairman Andy Kim, Ranking Member Representative Kevin Hern and the distinguished members of the Committee on Small Business Subcommittee on Economic Growth, Tax, and Capital Access. It is an honor to provide testimony at the hearing entitled "Exploring Challenges and Opportunities Faced by Underserved Businesses in the 21st Century."

Background

I am Sharon Roberson Pinder, President and CEO of the Capital Region Minority Supplier Development Council. I've been president of the Council for 4 years. My work in the diversity and inclusion space formally started in 2003 when I was appointed by Governor Robert L. Ehrlich as the State of Maryland's first ever cabinet level Secretary for the Governor's Office of Minority Affairs.

During my first three years as Secretary, the number of contracts awarded to Maryland's women and minority businesses increased from 15% to 22% and payments to them increased by \$1 billion. I am also very proud that we created Maryland's Small Business Reserve Program – the country's first state level set aside for small businesses.

In 2012, I was appointed by then Mayor Stephanie Rawlings Blake as the Director of the Mayor's Office of Minority and Women-Owned Business Development (MWBD) for the City of Baltimore. As a member of the Mayor's cabinet, I was responsible for the management of the City's minority and women-owned business programs. During my tenure we developed and implemented the supplier diversity and inclusion strategy for the City of Baltimore.

In addition to my appointed positions I have been an entrepreneur. My businesses included The Pinder Group and The Center for Business Inclusion and Diversity. During my years as an entrepreneur, I created the **Top 100 MBE Awards**® program.

Page 1

10750 Columbia Pike | Suite 200 | Silver Spring | MD | 20901

O: 301-593-5860 | F: 301-593-1364 | www.CRMSDC.org | [@CRMSDC](https://twitter.com/CRMSDC)



In its 12th year, it is the mid-Atlantic region's premier recognition ceremony for minority businesses.

I began my work as president and CEO of the Capital Region Minority Supplier Development Council in 2015 and in my first 18 months of my tenure, CRMSDC won \$4 million in grants from the U.S. Department of Commerce Minority Business Development Agency for a new MBDA Business Center, Capital Region, and the nation's only Federal Procurement Center solely dedicated to helping MBEs obtain federal contracts. We also implemented several signature programs significantly enhancing services to both corporate members and MBE suppliers.

I share this background information with you to give you a sense of my ability to look at the topic of minority business as an entrepreneur, from the vantage point of government (state, local, and federal levels), the private sector, and as a non-profit entity.

The Capital Region Minority Supplier Development Council ("CRMSDC" or "the Council") is a non-profit (501 (c)(3)) organization located at 10750 Columbia Pike, Suite 200, Silver Spring, MD 20901. The Council is one of 23 regional affiliates of the National Minority Supplier Development Council (NMSDC).

The Council was founded in the aftermath of the riots following the assassination of Dr. Martin Luther King. As various federal commissions undertook studies to determine the root causes of violence in the cities, so did corporate America. Their studies determined that the root cause of unrest was lack of access to the American Dream of life, liberty, and the pursuit of happiness. This dream requires money, (i.e., jobs, income and business revenue and relationships). The study led those corporate executives to the implementation of trade fairs and job fairs to provide jobs for residents and business opportunities for minority businesses. Their activities coalesced into the establishment of the corporate-led National Minority Purchasing Council with regional affiliates. The Greater Baltimore Minority Purchasing Council was founded in 1972. It later merged with the Greater Washington Minority Purchasing Council and, with subsequent national name changes, became the MD/DC Minority Supplier Development Council. In 2013, through mergers, the name was subsequently changed to its current name of the Capital Region Minority Supplier Development Council.

(refer to history video <https://www.youtube.com/watch?v=7eudJXSuZ40>)

The significance of the establishment of NMSDC was that it was built of the idea of economic development and wealth creation in minority communities. It was the hope of NMSDC's corporate founders that an employed minority community and a vibrant minority business community would help to generate income that could be spent by that community to buy the products and services of corporate America. It would also create an economic sense of wellness that would lessen chances for violence in the



streets. NMSDC established the regional councils to certify minority businesses and to provide a link to their corporate procurement departments. CRMSDC also offers highly impactful training to the leadership of MBE firms at business schools such as Kellogg, Tuck and others. Additionally, it has offered similar training locally, with the result that many minority business leaders are able to move their firms from start-up and sub-contractor status to fully sustainable businesses. The impact of CRMSDC's activities is that its nearly 400 MBE firms generate over \$3 Billion in revenue and employ approximately 20,000 people. This tracks well with the data from NMSDC nationally where 1,595 corporations work with 12,000 certified minority firms to create \$400 Billion in output and 2.2 million jobs. (Source: NMSDC 2017 Annual Report)

Understanding the Root Cause

The most profound law ever enacted was Public Law 95-507. It is the foundation and cornerstone of all programs impacting the underserved communities. Forty-one years after its enactment, the goal of these programs still remain the same..... to develop competitively viable companies. The ultimate vision is for companies to have the ability to compete fairly in an open marketplace in the absence of these programs. In 1978, major changes to the Small Business Act were made with the passage of Public Law 95-507. The intent of the 95th Congress and the new law's stated goal was to provide opportunities for small business concerns of disadvantaged owners to participate in the performance of government contracts. In particular, the law sought to create the opportunity for full participation for socially and economically disadvantaged groups that have suffered the effects of discriminatory practices. These groups include, but are not limited to, African Americans, Hispanic Americans, Native Americans, and other minorities or culturally disadvantaged groups.

Key Points of the Original Law

Some of the key points of the law are:

- Participation by large businesses in some type of Small Business Program mandatory instead of voluntary
- Changed "best efforts" to "Maximum Practicable Opportunities"
- Required a small business inclusion plan for procurements
- Determined disadvantaged business concerns as being both socially and economically disadvantaged
- Established the Office of Small and Disadvantaged Business Utilization.

The late Congressman Parren J. Mitchell and the late Senator Edward Brooke were the authors of Public Law 95-507. Mr. Mitchell used his tenure as Chairman of the Small Business Committee to make a significant difference in the lives of small, women and minority businesses. As a native Baltimorean and daughter of an inner

Page 3



city entrepreneur, I lived in Congressman Mitchell's district and grew to understand the significance of his actions.

As Chairman of the Small Business Committee, Congressman Mitchell attached an amendment to a \$4 billion public works bill that compelled state and local governments, seeking federal grants, to set aside 10% of the funds to retain minority firms as contractors and subcontractors.

There are a couple of things that deserve the Committee's attention:

Meeting Goals – the Artificial Measure.

We have become so obsessed with making numbers, and meeting goals, that we've missed the purpose of the programs and why it exists. We constantly ask the question – "Have you met your goal"? This obsession deflects issues associated with what it takes to build capacity in order to compete by these firms. We should be developing these companies, so if these programs leave tomorrow, MBE firms will have the capacity to be competitive in the marketplace. Additionally, we miss that the true measure of success for minority businesses is actual payments versus contract awards. To be given a contract award is good news, but it only matters when you execute, employ and receive payment in a timely fashion. Actual payments are the measure of success for small businesses.

Reviewing Subcontracting Plan

Major corporations doing business with the federal government should be submitting subcontracting plans to be reviewed by the SBA. It appears that reviews are done via a selection process. The truth is that all subcontracting plans should be reviewed. The absence of these types of reviews speaks to the lack of accountability and compliance.

Challenges and Barriers

Our challenge is to figure out how we increase the probability of success for small, women and minority-owned firms. How do we create the environment where entrepreneurs have the courage to choose this path for wealth creation without any stigma's of being a minority business? An environment where entrepreneurs are treated like rock stars and are comfortable putting capital at risk, reputations on the line, and ideas in harm's way, in an attempt to create jobs, wealth, economic opportunity, and ultimately fortify hope. Our failure to figure out this dilemma will create a strain on our nation's financial growth and our economic future will be in jeopardy.

Capital forms the lifeblood of all businesses, allowing for payroll, investment, and overall sustainability. Minority-owned businesses face a harder time accessing capital

Page 4

10750 Columbia Pike | Suite 200 | Silver Spring | MD | 20901

O: 301-593-5860 | F: 301-593-1364 | www.CRMSDC.org | [@CRMSDC](https://twitter.com/CRMSDC)



(loan denial rates for firms owned by people of color are three times higher than non-minority firms) and accessing good capital, as we typically pay higher interest rates and receive lower loan and equity investments.

Minority businesses typically have a harder time bootstrapping their businesses. Bootstrapping can be defined as operating your business without capital. Starting businesses without capitalization hinders the growth and trajectory of that business. The other key ingredient is relationships. Business is about relationships and turning those relationships into revenue. Minority businesses typically do not have the relationships that help propel businesses into the next level of growth.

Our lack of networks is a real handicap. Not being involved in the planning process is a hinderance. Minority businesses are typically late in the business cycle because they are not a part of the planning process of major procurement opportunities.

According to the Census, African American women-owned businesses are the fastest growing segment of all businesses. Minority business ownership (Source: PBS News Hour):

- 11% are African American-owned
- 53% are Asian-owned
- 32% are Hispanic-owned

Contracts determine the success of companies. They bring in revenue, establish a track record of success, and allow businesses to grow. Corporations and government agencies increasingly embrace supplier diversity, the proactive strategy of contracting with businesses owned by historically marginalized communities. However, diverse businesses still receive an appalling lack of contracts. In 2014, Fortune 100 companies spent just 4.8 percent of total contract dollars with minority-owned businesses, with many government agencies performing similarly. (Source: Black Star News)

The World Economic Forum ranked the U.S. as number twenty-three (23) out of thirty (30) developed countries for economic inequality. The country ranked worst in the economic inclusion category which includes measurements of the level of poverty, and the distribution of wealth and income. It also ranked low in social safety nets, efficiency of public goods and services, labor compensation and employment. (Source: The Atlantic)

Diverse businesses play a critical role in closing the racial wealth gap and shaping the larger economy. The threat or the real issues still remain in three ways: access to capital, access to contracts and access to key relationships.

MBE Programs 2.0

Many programs and ideas aimed at leveling the playing field have existed for over forty years. I've been taught that "public policy defines the behavior

Page 5



in the marketplace". Through their national network and years of study on this topic - Anthony Robinson, Esq. of MBELDEF (Minority Business Education Legal Defense Fund) and Franklin Lee, Esq. of (Tydings and Rosenberg, LLP) – are proteges of Congressman Mitchell and the country's leading authority on socio-economic issues. Across this country they witnessed that enormous gaps exist between current measures of minority and women availability and the number and relative size of minority / women-owned firms that you would expect to exist across the country. These gaps are not without severe consequences for the economic health of the country as a whole.

Entrepreneurship still remains the key element of the American Dream. For millions of Americans, starting and owning a business has been the route to success, security, and providing for one's community. This is particularly true for people of color, who face disparate unemployment rates and obstacles breaking through the "good old boys network" to secure good, stable jobs.

When minority-owned businesses thrive, communities of color thrive. Diverse businesses, which are more likely to hire locally and employ people with similar backgrounds, work as powerful forces for economic development. Communities of color will become the majority by 2044: how minority-owned businesses fair will determine the sustainability and strength of the nation.

Our nation's economic history is rich with examples of public policy and government action facilitating the spirit of entrepreneurship and directly contributing to the success of capitalism. At critical junctures throughout the industrialization of America, the federal government has proactively re-directed the flow of commerce and, in effect, has launched the birth of countless new giants of American industry. From the issuance of federal land grants that were essential to spurring the growth of railroads and to breathing life into the telegraph and telephone industries, from the granting of licenses and broadcasting frequencies to radio and television companies, and from the construction of the federal highway system, to the creation of the aviation and aerospace programs, the government has been a willing partner in forging a path for new industries.

For example, the adoption of "air mail" as the primary mode of transportation for the U.S. Postal Service, coupled with USPS's subsequent assignment of airmail transport contracts to a number of fledgling airlines, placed many of them on a sustainable path that ultimately led to a burgeoning private passenger airline industry. More recently, with the building of the global infrastructure for the internet by the Defense Advanced Research Projects Agency (DARPA), the federal government has been instrumental in establishing a fertile environment for the launching of an enormous global information technology industry. In each of these instances, government has often directly accelerated the growth and success of well-recognized corporate giants. The most obvious downside from much of this historical government intervention and direct assistance to the private sector has been that so much of it occurred at a time

Page 6

10750 Columbia Pike | Suite 200 | Silver Spring | MD | 20901

O: 301-593-5860 | F: 301-593-1364 | www.CRMSDC.org | [@CRMSDC](https://www.facebook.com/CRMSDC)



in history when people of color were not allowed in the room as equal participants, and were presumed to be unqualified and unfit to compete in business.

Across the country economic deserts exist (particularly in our major cities) and today mirrors the segregated history of our past. The fruits of past patterns of investment and the devastating societal effects of past economic exclusion limited to the generation in which they occurred? Not necessarily. The reason is because in all of the ensuing years, never once has there been a concentrated, purposeful effort to redirect the flow of commerce to irrigate those deserts, and to establish a fertile environment or "ecosystem" for business formation and growth to truly flourish within these communities. Without such intervention, the economic climate has been painfully slow to evolve. In all likelihood, a significant degree of the persistent racial economic inequalities that we continue to observe in our society today are most likely a lasting stain that Jim Crow's legacy of racial exclusion has left upon our economy.

Timing is everything. This is a critical juncture in our history and an opportune time to use the model of purposeful and intentional support from the government. Today's minority businesses can be tomorrow's moguls. Whereas past discriminatory practices prevented their participation in the building of some of the nation's top industries, today there is an opportunity. Minority businesses are capable and can benefit by being at the table during the infancy of today's emerging industries and technologies. As in the past, in partnership with the government, as that industry grows, the altitude of minority businesses will excel as well.



**STATEMENT OF
DAVY G. LEGHORN, ASSISTANT DIRECTOR
NATIONAL VETERANS EMPLOYMENT AND EDUCATION DIVISION
THE AMERICAN LEGION**

BEFORE THE

**SUBCOMMITTEE ON ECONOMIC GROWTH, TAX, AND CAPITAL ACCESS
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES**

ON

**"EXPLORING CHALLENGES AND OPPORTUNITIES FACED BY UNDERSERVED
BUSINESSES IN THE 21ST CENTURY"**

FEBRUARY 7, 2019

STATEMENT OF
DAVY G. LEGHORN, ASSISTANT DIRECTOR
NATIONAL VETERANS EMPLOYMENT AND EDUCATION DIVISION
THE AMERICAN LEGION
BEFORE THE
SUBCOMMITTEE ON ECONOMIC GROWTH, TAX, AND CAPITAL ACCESS
COMMITTEE ON SMALL BUSINESS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
“EXPLORING CHALLENGES AND OPPORTUNITIES FACED BY UNDERSERVED
BUSINESSES IN THE 21ST CENTURY”

FEBRUARY 7, 2019

Chairman Kim, Ranking Member Hern, and distinguished members of the Subcommittee on Economic Growth, Tax, and Capital Access, on behalf of National Commander Brett P. Reistad and the nearly two million members of The American Legion, we thank you for the opportunity to testify before you today on exploring challenges and opportunities faced by underserved businesses in the 21st century. We commend your leadership in exploring the challenges faced by underserved businesses – particularly veteran-owned small businesses (VOSB's). The American Legion looks forward to working with this committee to continue fostering policy and initiatives that empower veterans to pursue the American entrepreneurial spirit.

BACKGROUND

Veterans continue to serve their country long after their military service by employing 5.03 million Americans, managing receipts in excess of \$1.14 trillion dollars, and accounting for nearly 10% of U.S. Small Businesses¹. Despite strong numbers, veteran-owned small businesses continue to experience unnecessary bureaucratic obstacles and difficulties in securing government contracts, as was evident in the landmark *Kingdomware Technologies, Inc. v. United States (U.S.)* court case.

In response to the need of the VOSB population, The American Legion established a taskforce of volunteer small business owning legionnaires in 2011. The American Legion Small Business Taskforce works to identify critical issues impacting VOSB's, along with working to ensure that viable and workable solutions are examined. The goal and mission of the Small Business Task force is to furnish The American Legion with first-hand experience and insight into the VOSB community, so we can accurately advocate for them before this critical committee and Congress as a whole.

The American Legion responded to concerns from our Small Business Task Force, by establishing small business counseling services for VOSB's or veterans hoping to start a business. We rely on our taskforce volunteers to take on advisory roles in our entrepreneurship services and to lend their

¹ Small Business Administration: Office of Advocacy. *Veteran-Owned Businesses and Their Owners*: Data from the U.S. Census Bureau's Survey of Business Owners (2017). Washington, D.C.

expertise in small business advocacy. The Small Business Taskforce is the national voice of the veteran entrepreneur.

We assist veterans in establishing their disability claims, enabling the veteran to then obtain their Service-Disabled Veteran-Owned Small Business (SDVOSB) or Veteran-Owned Small Business status under the Veterans First Contracting Program (also known as Veterans First). Through our initiative, our efforts led us to participate in the Verification Assistance Counseling Program through Veterans First since its inception. The American Legion, through our Small Business Task Force, assists veteran small business owners in obtaining verification or maintain verification status when facing debarment. It is important to note, that our services are not exclusively offered to the two million members of The American Legion, but to all veterans who express a need or interest.

The American Legion's efforts to advocate on behalf of our nation's veteran small business owners does not stop at the chamber doors of Congress, but it also extend to the chambers of the justices, federal agencies, and the White House. The American Legion supports veteran-owned businesses as they continue to endure legal efforts to circumvent and subvert PL 109-461's Veterans First Program. The American Legion submitted an amicus brief in support of Kingdomware Technologies with the federal appellate court and Supreme Court. We also signed on to an amicus brief in support of veteran-owned businesses in *PDS Consultants, Inc. v. U.S.* The American Legion continues to relentlessly support this committee and this Congress in eliminating artificial roadblocks that are detrimental to our veteran entrepreneurs. Our efforts will continue until VA procurements meet the letter and intent of the Veterans First Program.

The court decision in *Kingdomware Technologies, Inc. v. U.S.* was a significant victory for veteran small business owners, yet significant challenges remain. The American Legion believes these set-asides should expand beyond the Department of Veterans' Affairs (VA) and across the federal government. Further, The American Legion commends the Small Business Administration's (SBA) work through the Office of Veterans' Business Development (OVBD), but strides remain to be made. With only 22 Veterans Business Outreach Centers (VBOCs) across the country, rural Americans and those living in Puerto Rico, Guam, the Virgin Islands, and American Samoa often lack access to resources. Without access to resources, veterans who participate in the Boots to Business Program (B2B) as part of the military's Transition Assistance Program (TAP) have no method of follow-up. Often we see veteran small businesses owners come out of B2B – singularly focused on creating a business plan, without an understanding of how to establish business governance or conduct the requisite administrative tasks to be recognized as a business in their state or territory. Lastly, The American Legion supports initiatives and organizations that advance emerging internet-based and peer-financed alternative capital options that focus on funding veteran-owned small businesses.

REALIGNMENT OF FINAL RULES AND INTENT AFTER KINGDOMWARE

The greatest detriment to the veteran small business industrial base has been misinterpretation of legislation stipulating SDVOSBs as a preferred contracting group for the federal government. The American Legion expects the outcome of *Kingdomware Technologies, Inc. v. U.S.*² will reinterpret the rules of Veterans Entrepreneurship and Small Business Development Act of 1999.

² *Kingdomware Technologies, Inc. v. United States*, 579 U.S. (2016)

The Justices of the Supreme Court were clear in their unanimous opinion; the intent of the three percent set-aside goal for SDVOSBs in the Veterans Entrepreneurship and Small Business Development Act of 1999 is to “encourage small business” and not for the sole purpose of fulfilling a quota.³ The Supreme Court opined that the subsequent enactment of the Veterans Benefits, Health Care, and Information Technology Act of 2006 was ancillary in nature to the Veterans Entrepreneurship and Small Business Development Act of 1999 and shares ilk intent.

The nexus in the intent of the two separate and distinct programs has broader implications for the federal government. The opinion of the court advises agencies that the reasoning behind the set-aside goals applies to government-wide SDVOSB programs and agency-specific programs (i.e. Veterans First Contracting Program at the Department of Veterans Affairs).

Initially, the Small Business Development Act of 1999 and Veterans Benefits Act of 2003 gave SBA and other federal agencies authority to increase VOSBs industrial base. In 2005, SBA and the Federal Acquisition Regulatory (FAR) Council issued concurring final rule comments stating SDVOSB Programs were not developmental in nature⁴. SBA and the FAR Council concurred SDVOSB programs are localized to the benefits in federal contracting and the sole purpose is to increase participation of established SDVOSBs already within the federal marketplace. SBA and the FAR Council were clear that the SDVOSB Program was not meant for business development or growing an industrial base. The reversal in rule-making is arguably contrary to the intent of Congress and was widely unpopular.

As result of the SBA and FAR Council’s rule-making comments, the SDVOSB Program developed purely into a set-aside program where the only metric for success was measured by dollars out the door as opposed to the wellbeing of the veteran small business industrial base. A program geared to meet a minimum threshold of dollars-spent does not encourage growth of the industrial base. As a result of the aforementioned objective, the vast majority of the three percent federal set-aside is localized to a small group of companies. The culmination of a set-aside program without business development in mind, coupled with measuring success on dollars out the door vs. the creation of new business led to the program as it currently exists — it fails to meet the intent and the letter of the law.

Kingdomware Technologies, Inc. v. the U.S. was groundbreaking in that the decision harkened back to Congress’ original intent at creating an SDVOSB Program with business development and the growth of the industrial base as a part of the framework. The American Legion expects the decision to result in SBA and the FAR Council reconsidering their 2005 final rule comments thus realigning them with the Court’s decision and original congressional intent. Further, any subsequent rule change for the SDVOSB Program must incentivize agencies to take into account the diversity of SDVOSBs participating in the marketplace and not simply by a dollars out the door figure.

³ *Kingdomware Technologies, Inc. v. United States*, 579 U.S. (2016) (“In an effort to encourage small businesses, Congress has mandated that federal agencies restrict competition for some federal contracts.”).

⁴ *Ibid*

To SBA's credit, they have begun examining solutions towards the problems that stemmed from the 2005 rule-making decisions. OVBD created several successful entrepreneurship development programs under a separate authority to grow the veteran small business industrial base. Also, work is already underway at SBA to revise the small business goal's grading criteria to ensure that the total federal set-aside spend is spread out to more veteran-owned small businesses. The American Legion sees the Kingdomware decision as a catalyst that shall hasten many programmatic improvements that the SBA has already been working towards and finally recognize the developmental intent of the SDVOSB program. The American Legion believes the inclusion of SDVOSBs into the SBA's 7(j) programs is a good start.

VETERANS FIRST CONTRACTING PROGRAM BEYOND VA

The American Legion supports the expansion and improvement of all entrepreneurship programs, loan programs and numerical goals for all veterans to compete in government procurement and contracts.⁵ This is why we believe the *Kingdomware* decision lends credibility for the additional tier of veterans' preference to exist within existing federal contract set-aside programs. This preference can now be legislatively extended government-wide or at the very least, to several other agencies.

Mandated in 2006 by Public Law 109-461 and, before that, by President Bush's 2004 Executive Order 13360, VA was entrusted with a fiduciary responsibility to grow the veteran small business industrial base. The American Legion believes that the federal agencies that send our servicemembers to war should share in VA's responsibilities. The Department of Defense and the Department of Homeland Security should have the moral imperative to enforce the veteran's preference in their purchases. To this end, The American Legion asks that the Veterans First Contracting Program within VA should be legislatively extended to the aforementioned agencies requiring the same preference in set-aside authorities.

OVBD AND BOOTS TO BUSINESS

Since its implementation in 2012, the Boots to Business (B2B) capstone course taught as a part of the military's Transition Assistance Program (TAP) has been very successful. SBA was the first to pilot and then implement their portion of TAP in compliance with the directives of the VOW to Hire Heroes Act of 2011. B2B is a lean program, administered solely through SBA's 22 Veterans Business Outreach Centers (VBOCs). We are proud to report that during the recent government shutdown, 95 percent of the scheduled B2B sessions taught on and off military bases were administered. For the last five years, the two day B2B curriculum has been the litmus test that has helped veterans launch their businesses.

B2B is currently a non-mandatory portion of a three-tracked capstone course available to Servicemembers within two years of their date of separation. In the 2019 National Defense Authorization Act, there was an attempt to make at least one of the TAP capstone courses mandatory. The American Legion supports this attempt and hopes this will expose more servicemembers to SBA and their partners.

⁵ The American Legion Resolution Number 21, 2018.

The American Legion believes we should increase the pool of servicemembers eligibility for SBA programs. Currently, Guard and Reserve members are not eligible for vet small business development and entrepreneurship programs until after they are activated under Title 10. The American Legion recognizes that our National Guardsman are often deployed under Title 32 and the law must be changed so that they too are eligible for SBA programs. This is why The American Legion supports legislation similar to H.R. 7199, the National Guard and Reserve Entrepreneurship Act of 2018, introduced during the 115th Congress, that proposes amending 15 USC §636 to increase the eligibility of military-focused SBA programs to those who have “[been] ordered to perform active-duty service for more than 30 consecutive days”.

Increased utilization of SBA’s military and veteran-centric programs will require more VBOCs. The American Legion supports the creation of more VBOCs to include one in every state and the territories. Puerto Rico, Guam, Virgin Islands, and American Samoa are often overlooked for veterans programs and services, despite the heavy military presence and armed services recruitment efforts that occur in these places. That is why American Legion Resolution No. 26 supports Section 301 of H.R. 225, the Puerto Rico Small Business Assistance Act of 2019. The American Legion asks this committee to consider creating VBOCs in other locations where military and veterans are heavily populated.

LENDING PROGRAMS

The 7(a) program is the SBA’s flagship program. SBA does not directly provide the funds to a small business, but rather issues a guarantee to the bank that should the small business default the SBA will back the loan. 7(a) loans utilization for veterans have seen a recent decline, from \$1,370,204,100 in 2015 to \$1,064,474,800 in 2018, but there is no reason to be alarmed considering the innovation and diversification of small business lenders within the last decade⁶.

SBA’s flagship program is the 7(a) loan. The 7(a) loan program is operated through banks, but banks have been a diminishing source of credit for small business according to the National Federation of Independent Business⁷. The downward trend has persisted throughout the last decade due to a combination of factors, but mainly because bank-based programs have rigid structures that are less effective at meeting the mercurial needs of small businesses.

According to the Federal Financial Institutions Examination Council, the number of commercial banks has been in steady decline since the 1980s. The US lost over 2000 commercial banks since 2009⁸, and new banks are not forming. The banking industry is consolidating under financial industry giants.

Large financial institutions avoid small business lending because small loans are time intensive for their amount, hard to securitize, and expensive to underwrite and service, which is why

⁶ U.S. Small Business Administration: Office of Capital Access. *Veteran Lending Update: December 6, 2018*.

⁷ Small Business, Credit Access, and a Lingering Recession. (2012, January). Retrieved February 1, 2019, from <http://www.nfib.com/Portals/0/pdf/allusers/research/studies/small-business-credit-study-nfib-2012.pdf>

⁸ Commercial Banks in the U.S. (2018, December 13). Retrieved February 1, 2019, from <https://fred.stlouisfed.org/series/USNUM>

community and regional banks form the backbone of the 7(a) and 504 loan programs. The decline in community banks has inadvertently led to the diminished utilization of 7(a) loans.

The downward trend in bank creation inadvertently spurred diversification in the financial industry. Alternative lenders began to take over the traditional roles of community banks when it came to small business lending. Coming out of recession, when banks were reticent to make riskier loans, the market still found a way to link investors to new and innovative products. The alternative lending industry gained significant traction within the last five years with online peer-to-peer and social lending products outpacing Securities Exchange Commission regulations.

According to statistics from SBA's Office of Capital Access, veteran usage of the micro-loan program is trending upwards annually from \$2,083,315 in 2013 to \$3,705,147 in 2018. The American Legion had the opportunity to work with the Latino Economic Development Corporation (LEDC) to conduct outreach to local veteran start-ups about micro-lending. It is important to note, that during the 2018-2019 government shutdown, community development financial institutions (CDFIs) were unable to process loans and provide services to veterans. To prevent this from negatively impacting veteran owned small businesses, The American Legion asks that SBA's loan processing staff be designated "essential" workers during a government shutdown.

The lending renaissance experienced in the aftermath of the recession diversified and reshaped small business financing. Traditional bank-based lending is just one of many ways to make credit accessible to small businesses. Microloans, social financing, peer-to-peer lending, private equity, venture capital, and angel investors have gained a stronger foothold, and this diversity has been a win for small business because they are no longer solely reliant on banks. For the reason that small business financing is no longer dominated by traditional lenders, SBA needs to reconsider the promotion of 7(a) loans as their flagship product. An SBA grantee's primary metric for success is the capture of 7(a) loan dollars; this ultimately bleeds over into the administration of entrepreneurial development programs including B2B, where there is a push to get small businesses ready to go to the banks to utilize SBA's premier loan product. ED programs should be helping businesses get financing. Often, the first interface a small business owner has with the SBA or a grantee is when they need financing; however, bank loans currently comprise just a limited fraction of small business borrowing.

This is the right time for SBA to re-evaluate their goals and metrics that the ED programs support. It's time to update an aging lending program and time to prioritize exposure of veteran entrepreneurs to alternative lenders. Through American Legion Resolution 152: The American Legion supports initiatives and organizations that advance emerging internet-based and peer-financed alternative capital options that focus on funding veteran-owned small businesses.

CONCLUSION

Chairman Kelly, Ranking Member Hern, and distinguished members of this critical committee, The American Legion thanks you for the opportunity to explain the position of our nearly two million members of The American Legion. Questions concerning this testimony can be directed

to Jonathan Espinoza, Legislative Associate, in The American Legion's Legislative Division at (202) 861-2700, or jespinoza@legion.org



Statement by

Michael Romano
Sr. Vice President of Industry Affairs & Business Development
NTCA–The Rural Broadband Association
Arlington, VA

Before the

United States House of Representatives
Committee on Small Business
Subcommittee on Economic Growth, Tax and Capital Access

*Exploring Challenges and Opportunities Faced by
Underserved Businesses in the 21st Century*

Washington, DC

February 7, 2019

NTCA – Michael Romano
 February 7, 2019
 Page 1 of 9

INTRODUCTION AND BACKGROUND

Chairman Kim, Ranking Member Hern, and members of the Subcommittee, thank you for this opportunity to testify today on the challenges faced by small businesses and underserved populations. I am Michael Romano, Senior Vice President of Industry Affairs & Business Development of NTCA–The Rural Broadband Association, which represents nearly 850 small, community-based carriers in 46 states that offer advanced communications services throughout the most sparsely-populated areas of the nation.

Small, hometown-based rural telecom providers like those in NTCA’s membership connect rural Americans with the world – making every effort to deploy advanced networks that respond to consumer and business demands for cutting-edge, innovative services. These cooperatives and locally-operated companies serve the most rural parts of the United States, reaching areas that contain less than five percent of the U.S. population, but which are spread across more than 35 percent of the U.S. landmass. The average density in these rural service areas is about seven customers per square mile – roughly the average density for the entire state of Montana.

While the economics of operating in these very rural areas would make them likely candidates for being unserved or underserved in terms of communications connectivity, NTCA’s small business members have led the charge in deploying broadband in rural America and closing the digital divide for those rural areas fortunate enough to be served by these hometown providers. Fixed and mobile broadband, video, and voice are among the many services that some rural Americans can access thanks to our industry’s commitment to serving sparsely populated areas. The rural telecom industry has always been innovative, currently exemplified by the mission to deploy the more future-proof fiber-based systems that will provide the foundation small businesses can rely on to invest, relocate, and thrive in rural America.

Of course, as much as we wish NTCA members could expand into other rural communities – and they often try to do so where they can – there are many rural areas lacking access to sufficient broadband, and some that lack access to any broadband at all. The distance and population density of rural America present unique challenges for service providers, but the effects are ultimately felt by the residents and businesses that live and work in these areas. To compound matters further, on average, rural areas in the U.S. are poorer than urban areas¹ and have lower broadband adoption rates.² Thus, it is important to take a holistic view of what it means to be an undeserved small business, for example, in the 21st century. NTCA submits that available, affordable broadband is essential to overcoming such challenges, and my testimony will provide examples of broadband’s benefits and also discuss effective policy for ensuring universal broadband service.

¹ Brakkton, Booker, *Report: Rural Poverty In America Is ‘An Emergency’*, npr.org (May 31, 2018).

² Tomer, et al, *Signs of Digital Distress*, The Brookings Institution Metropolitan Policy Program (Sep 2017).

NTCA – Michael Romano
February 7, 2019
Page 2 of 9

BROADBAND IS ESSENTIAL INFRASTRUCTURE THAT DRIVES ECONOMIC GROWTH AND VIABILITY IN RURAL AMERICA

Broadband Benefits Rural and Urban Areas Alike

One means of helping underserved businesses grow and thrive is to connect them to markets for their products and services. Such concerns exist across America, in rural and urban areas alike, of course. But in rural areas, as discussed earlier, this connectivity can be a unique challenge due to geographical barriers – barriers that broadband can help break down and overcome. Indeed, in rural and urban areas alike, broadband availability and adoption strongly correlates with increased economic opportunity and prosperity. A 2016 government study found that just 41 percent of adults with household incomes less than \$20,000 had home broadband access, while 90 percent of adults with household income higher than \$100,000 had access.³ Other studies reveal that the availability of broadband services, regardless of adoption, added as much as 1.4 percent to the U.S. employment growth rate.⁴

Investing in rural broadband has far-reaching effects for both urban and rural America, creating efficiencies in healthcare, education, agriculture, energy, and commerce, and enhancing the quality of life for citizens across the country. A report released in 2016 by the Hudson Institute in conjunction with the Foundation for Rural Service underscores the nationwide benefits that arise from rural broadband; this study found that investment by rural broadband companies contributed \$24.2 billion to the economies of the states in which they operated in 2015.⁵ Of this amount, \$8.3 billion accrued to the benefit of rural areas, while nearly \$16 billion accrued to the benefit of urban areas. In addition, better broadband access in rural America is helping to drive growth in online transactions – a recent survey found, for example, that rural consumers account for more than 10.8 billion internet-driven transactions annually, representing approximately 15% of the national total.⁶

Broadband Benefits Consumers and Communities

The benefits of rural broadband, however, go beyond sheer numbers – it is helpful as well to understand the productive uses of broadband and what they mean to those communities that get and stay connected. Rural America needs broadband not only to help farmers efficiently produce the crops that are sold around the world, but to help rural small businesses participate in the global economy and help all rural citizens experience the potentially life-changing healthcare, educational, and employment benefits of broadband.

³ *Digital Inequality and Low-Income Households*, HUD Office of Policy Development and Research (2016).

⁴ Galperin and Vicens, *Connected for Development? Theory and evidence about the impact of Internet technologies on poverty alleviation*, Development Policy Review (2017).

⁵ *The Economic Impact of Rural Broadband*, The Hudson Institute, Washington, D.C. (2016).

⁶ *A Cyber Economy: The Transactional Value of the Internet in Rural America*, White Paper, iGR (2018).

NTCA – Michael Romano
 February 7, 2019
 Page 3 of 9

A major benefit of rural broadband, for example, comes in the form of distance learning. With a shortage of teachers in many areas of rural America, many schools must rely on high-speed connectivity to deliver interactive-video instruction for foreign language, science, and music classes. For example, one rural South Dakotan teaches Level 1 and 2 Spanish to over 100 students in over a dozen high schools from a small office located on her farm. Her broadband connection enables her to instruct hundreds of students who otherwise would not have the opportunity to learn Spanish.

Access to healthcare is a critical issue for rural areas, where the lack of physicians, specialists, and diagnostic tools normally found in urban medical centers creates challenges for both patients and medical staff. Telemedicine applications help bridge the divide in rural America, enabling real-time patient consultations and remote monitoring, as well as specialized services such as tele-psychiatry. A small provider in Georgia recently partnered with the county public school system to deploy telehealth equipment to connect the school nurses' offices with physicians at a regional hospital. Through this partnership, the hospital, the school system, and the rural broadband provider facilitate better healthcare for students who might not otherwise see a physician in an area where parents can ill afford to miss a half or full day of work for a doctor visit.

A small telco opened the nation's first "Virtual Living Room" in rural Kentucky in 2017 to enable U.S. service veterans to access broadband-enabled U.S. Department of Veterans Affairs (VA) telehealth and other online services for no fee at publicly accessible locations. The Virtual Living Room saves travel time and costs while enabling connections to skilled physicians and other providers in the VA medical system. The innovative project blends rural technology, VA resources, and local support to encourage veteran use of advanced medical technologies.

Fast, high-capacity broadband in rural areas also creates jobs. In Sioux Center, Iowa, a major window manufacturer built a 260,000 square-foot plant to employ 200 people. The company considered more than 50 locations throughout the Midwest, but selected Sioux Center in part because the rural broadband provider enabled this plant to connect with its other locations throughout the U.S. using a sophisticated "dual entrance" system that could route traffic to alternate paths, ensuring that the main headquarters 250 miles away and other facilities would remain connected. Similarly, in Cloverdale, Indiana, a rural broadband provider met with developers and helped bring an industrial park to its service area. Powered by this provider's broadband, the facility created more than 800 jobs in the area. In Havre, Montana, a rural broadband provider is partnering with a tribally-owned economic development agency to create a Virtual Workplace Suite and Training Center that is expected to create about 50 jobs.

These stories are repeated throughout NTCA member service areas and are recognized annually by NTCA's Smart Rural Community (SRC) program that promotes rural broadband networks and applications that communities can leverage to support innovative economic development,

NTCA – Michael Romano
 February 7, 2019
 Page 4 of 9

education, healthcare, government services, public safety and other vital public functions. SRC recognizes top-performing broadband providers and their communities through its Showcase Awards; offers grants for innovative technology deployments in the Collaboration Challenge program; and provides educational resources and programming. NTCA also recognizes the providers of the fastest, most robust rural networks with its “Gig-Capable Provider” certification. Recipients must demonstrate that gigabit technology is commercially available within 95% of one or more exchanges or census blocks in their service area. NTCA’s membership already boasts over 100 “Gig Certified” providers.

As described in a recent CoBank report on rural economic challenges, “Rural America faces a unique set of economic challenges, but it has demonstrated resilience during the past eight years of recovery. The rural population, jobs, and incomes are all trending in the right direction. And current efforts to improve rural broadband access offer the greatest opportunity to make a significant dent in the rural/urban economic divide. As broadband becomes more widely available in rural communities, enhanced access to education, healthcare, and business opportunities can markedly improve the quality of life and the economic vitality in these communities. Rolling out broadband to rural communities will take several more years in some areas. But as access increases, so will rural America’s economic potential.”⁷

BARRIERS TO RURAL BROADBAND DEPLOYMENT

NTCA believes it should be clear that a key to helping underserved communities in the 21st century is to provide them with 21st century connectivity – high-speed broadband upon which they can rely to invest and operate businesses that will create jobs and provide opportunities for residents and consumers alike. This task, however, is easier said than done. In many cases, in rural areas in particular, communities (and the residents and businesses within them) are underserved (or even unserved) because the economics of connecting them are difficult, if not impossible, to overcome.

Building broadband networks is capital-intensive and time-consuming. Indeed, the primary challenge of rural network deployment is in making a business case for constructing networks across hundreds or thousands of miles where the population is sparse, the terrain is diverse, and the permitting and contractual considerations can be substantial. Then, even when and where networks are built, they must be maintained over those hundreds or thousands of miles – this maintenance requires technicians who regularly travel long distances to make service calls and customer service representatives trained to deal with questions about router and device configurations in ways that were unimaginable for “telephone companies.”

Moreover, even the best local or “last mile” networks in rural markets are dependent upon “middle mile” or long-haul connections to internet gateways dozens or hundreds of miles away in large

⁷ THE YEAR AHEAD: Forces that will shape the U.S. rural economy in 2018, CoBank Knowledge Exchange Report (2018).

NTCA – Michael Romano
 February 7, 2019
 Page 5 of 9

cities. Reaching such distant locations is expensive, and as customer bandwidth demands increase – moving from Megabytes to Gigabytes to Terabytes of demand per month per customer – so too does the cost of ensuring sufficient capacity to handle customer demand on those “long-haul” fiber routes that connect rural America to the rest of the world.

All these factors make the delivery of broadband in rural America an ongoing effort that requires sustained commitment. We will miss the mark as a nation if we treat the broadband challenge as a one-time declaration of “success” just for the very preliminary act of connecting a location. After initial construction of rural broadband networks, much work remains to ensure consumers and businesses can adopt and make effective uses of networks, and to upgrade and sustain those networks over time to keep pace with consumer demand – this undertaking is where public policy plays an important role in helping both to build *and* sustain broadband in rural markets.

OVERCOMING BARRIERS TO BROADBAND DEPLOYMENT IN UNSERVED AND UNDERSERVED COMMUNITIES

Making the Business Case for Broadband Infrastructure Investment and Sustaining Operations

So how do we overcome these significant challenges of deploying and sustaining rural broadband infrastructure? The first step is to clearly identify those challenges and think carefully and creatively about measures to address them. Above all else, the economics of rural broadband present the primary barrier to deployment. The rates that rural consumers pay are rarely sufficient to cover even the costs of operating in rural areas, much less the enormous capital expenditure required in the first instance to deploy reliable, high-speed broadband in rural America. Without a reasonable business plan, providers are hard-pressed to justify borrowing funds or using one’s own capital to build and then even harder-pressed to sustain networks in areas where densities are low, distances are great, and terrain and topography complicate construction.

These challenges highlight why sufficient ongoing support from the High-Cost Universal Service Fund (USF) program overseen by the Federal Communications Commission (FCC) is so important, allowing providers to keep rates affordable for consumers and to help justify use of one’s own capital and/or obtaining financing from the few lenders that tend to serve rural Internet service providers. In short, support from the federal High-Cost USF program is essential to make the business case for broadband in many unserved and underserved rural areas. In fact, the USF is the primary, if not the only, tool to ensure – as mandated by the Communications Act – that those living in deeply rural areas can purchase telecom services that are reasonably comparable to what urban Americans receive at rates reasonably comparable to what urban consumers pay.

Put another way, USF does not itself “pay for” upfront network construction; instead, the USF program supports ongoing operations (and the repayment of loans and private capital) by ensuring

that rural consumers can pay reasonable rates for their use of services atop networks, thereby allowing consumers to buy such services and operators to justify the business case for investments in those networks in the first instance. USF is thus perhaps the best, most successful example of a public-private partnership that exists in the broadband space, having helped to justify the business case for private network investments that can total tens of billions of dollars per year when measured as gross plant in service.

Fortunately, after receiving dozens of bipartisan letters signed by hundreds of members of Congress over several years calling for an updated and sufficient High-Cost USF program, the FCC in December agreed to substantially increase the support available to small, rural carriers through USF and also set a baseline requirement of 25/3 Mbps for supported networks. The recalibrated resources are needed and welcome after many years of budget shortfalls and capped support, and now that Congress received much of what it asked for on USF, it becomes increasingly important to coordinate funds appropriated to the U.S. Department of Agriculture's Rural Utilities Service (RUS) for broadband loans and grants with High-Cost USF support to ensure federal broadband support efforts aren't duplicated.

It is also important to note that USF does much more than support rural networks. This work is the discrete mission of the High-Cost program – to help ensure that networks are available in rural areas, and that consumers and businesses can afford to adopt and make good use of the services offered atop them. But universal service policy aims to do more, holistically considering potentially unserved and underserved users of all kinds. More specifically, in first codifying the USF in 1996, Congress wisely structured the USF as a combined umbrella program with components that seek to address discrete sets of potentially underserved populations through coordinated programs – E-Rate for schools and libraries, Lifeline for low-income consumers, Rural Health Care, and High-Cost for rural networks.

Indeed, in helping to ensure rates for services are affordable on rural networks, High-Cost also helps millions of low income Americans connect to broadband, as many of the nation's poorest counties are rural.⁸ For these reasons, we believe the federal universal service mechanisms as a whole represent a well-thought, comprehensive strategy that aims to ensure that every American – regardless of the specific challenge that renders them at risk of being unserved or underserved – will have the chance to obtain access to advanced communications services at affordable rates.

Financing Deployment of Broadband Infrastructure to Reach Unserved and Underserved Communities in Rural America

If the business case for investment in rural broadband networks can be made – which, as noted above, often relies upon USF support in the first instance – the question then turns to how a provider can

⁸ Stebbins, Samuel, [The Poorest County in Every State](#), 24/7 Wall St (Jan 9, 2019).

NTCA – Michael Romano
February 7, 2019
Page 7 of 9

obtain the resources needed to build the network. Deploying a communications network in an unserved or underserved rural area requires a large capital outlay due to the challenges of distance and terrain. In some cases, a provider may have capital on hand to self-finance the construction of such a network, but this is not often the case – especially when smaller operators are the ones typically most focused on expanding broadband into underserved rural markets.

There are very few lenders, however, willing to provide capital for rural broadband construction given the long-term nature of the returns involved and the limited nature of the returns as compared to more densely populated markets. Indeed, in many cases, smaller rural operators have only a handful of lenders to turn to for capital to deploy broadband infrastructure, with RUS, CoBank, Rural Telecommunications Finance Cooperative (RTFC), and some community banks prominent among those lending entities.

The RUS in particular has long played a crucial role in addressing rural broadband challenges through its telecommunications programs that finance network upgrades and deployment in rural areas. Since at least the early 1990s, the RUS telecom programs have financed advanced network plant at a net profit for taxpayers and helped deploy state-of-the-art networks to rural Americans left behind by providers unable or unwilling to serve low-population-density markets.

Not only does RUS help rural America remain connected, but its Broadband Loan & Loan Guarantee program and traditional Telecommunications Infrastructure Loan & Guarantee program make loans that must be paid back with interest – creating a win/win situation for rural broadband consumers and American taxpayers. With the passage of new legislation last year, RUS will figure even more prominently in rural broadband deployment strategy as Congress has begun providing RUS with substantial additional resources to make broadband grants and grant/loan combinations. In addition to the creation of a new \$600 million RUS broadband loan/grant pilot program in the Fiscal Year 2018 Omnibus appropriations bill (with plans to add more funds in Fiscal Year 2019), the recently-reauthorized Farm Bill added a grant component to the Broadband Loan Program and increased the program's authorization from \$25 million to \$350 million.

Far from supplanting the High-Cost USF program, RUS telecom programs will need to continue to work in concert with USF as RUS finances the substantial upfront costs of network deployment and the High-Cost program helps to make the business case for such construction and then sustains ongoing operations at affordable rates. In particular, USF by law aims to ensure “reasonably comparable” services are available at “reasonably comparable” rates, making adoption of services possible by consumers and small businesses that need such access to thrive as described earlier in this testimony. Not to be confused or conflated, RUS capital and ongoing USF support therefore serve distinctly important, but complementary rather than redundant, purposes in furthering rural broadband deployment.

NTCA – Michael Romano
 February 7, 2019
 Page 8 of 9

It is essential that these complementary roles continue, and that we avoid the prospect of two, dueling federally-supported networks built in a rural area that could not sustain either one without such federal support. We can make smarter, better use of federal resources by reaffirming and codifying yet again the complementary nature of coordinated RUS and FCC programs, rather than allowing these programs and the resulting networks to be pitted against one another in a manner that undermines the sustainability of the networks and the integrity of the programs themselves.

Expediting Broadband Deployment to Reach Underserved Communities More Quickly and Effectively

As mentioned earlier in this testimony, a further barrier to broadband deployment can arise in the form of disparate applications, fees, and reviews across federal and state land-owning and land-managing agencies. Such concerns can be particularly acute for smaller broadband providers, who have fewer staff and financial resources to navigate multiple agency procedures. Efforts to streamline federal permitting processes would free resources for broadband investment. The RAY BAUM'S Act laid a great foundation for reforming federal permitting by standardizing applications and introducing shot clocks.⁹ More could be accomplished on this front by requiring better coordination among federal agencies for broadband projects, expediting use of existing federal rights-of-way, and allowing states to conduct reviews for federal lands.

DELIVERING BROADBAND TO UNSERVED AND UNDERSERVED RURAL COMMUNITIES: PROGRESS AND REMAINING WORK

Despite the many challenges of deploying broadband in rural areas, a survey of NTCA members conducted in 2017 found that 58 percent of respondents' customers are served via fiber-to-the-home, up by 17 percent from 2017. Over 38 percent of customers are served via DSL technologies, 2.6 percent by cable modem, 1.2 percent via fixed wireless, and 0.1 percent through satellite.¹⁰ Due in no small part to increased fiber deployment, rural customers served by NTCA members have access to faster broadband speeds, including 70 percent that can now access speeds at or above 25 Mbps download. These statistics confirm what we already know, but occasionally overlook – that through the work of small, local operators committed to the rural areas in which they live, we are making strides year-over-year to reduce the digital divide.

But the job is far from done. The statistics noted above are good news, but they also tell a story of many rural consumers and communities waiting for services to come. Despite the community commitment of NTCA members, twelve percent of consumers still cannot get even 10 Mbps broadband, while 30 percent are unable to obtain 25 Mbps broadband – a speed that is considered average for most urban Americans today. In these cases, even those providers that live and work in the communities they serve cannot muster the resources or make the business case for investment

⁹ H.R. 1625 - *Consolidated Appropriations Act*, 2018, Division P (Public Law No: 115-141).

¹⁰ *NTCA Broadband/Internet Availability Survey Report* (2018), NTCA–The Rural Broadband Association, Arlington, VA.

NTCA – Michael Romano
February 7, 2019
Page 9 of 9

and ongoing operation. And the story is even worse in areas that are not served by cooperatives and other small hometown-based telecom companies like those in NTCA's membership; in other rural communities, we hear frequently that many more consumers, businesses, schools, and medical facilities are lacking in access to even basic levels of broadband.

And, finally, even where broadband *is* available, sustaining it and upgrading it to keep pace with today's economy and user demands is a challenge unto itself; the job is not finished when broadband networks are deployed, because consumers' use of broadband depends upon reliable and affordable services that will remain high-quality and keep pace with advances in technology and user needs. For example, while DSL and fixed wireless technologies are important "tools in the toolkit" to provide customers with some basic level of broadband access, it is difficult to see as a long-term proposition how these technologies can keep pace with consumer demand and business need. Thus, even as we have successes to celebrate and proven track records of success to emulate, we as a nation have much more to do to reach underserved populations and unserved areas, and to also sustain robust and affordable rural broadband where it is available today.

CONCLUSION

Robust broadband must be available, affordable, and sustainable for rural small businesses and underserved populations to realize the economic, healthcare, education, and public safety benefits that advanced connectivity offers. As noted in this testimony, it takes an effective mix of entrepreneurial spirit, access to capital (whether from RUS or otherwise), commitment to community, and federal USF support to enable and sustain deployment of communications infrastructure in many parts of rural America.

The RUS and the High-Cost USF programs play important, but complementary rather than redundant, roles in promoting the deployment and sustainability of broadband infrastructure in rural America. Promoting greater access to capital through strong, well-tested RUS loan and grant programs, ensuring sufficient funding of USF to make the business case for use of private and/or borrowed capital in rural areas, and demanding continued coordination between essential federal programs that aim to promote broadband access in rural America are all critical pieces of a comprehensive and thoughtful national rural broadband strategy.

I thank the committee for its leadership on and interest in all these issues, and we look forward to working with you to realize a vision of true universal service in the form of robust and sustainable networks that will deliver reliable, high-quality, and affordable communications services throughout rural America now and for years to come.

Question for the Record – Rep. Bradley Schneider
Committee on Small Business
Subcommittee on Economic Growth, Tax and Capital Access
Hearing: “Exploring Challenges and Opportunities of Underserved Businesses in the 21st Century”
February 15, 2019

Answers for Rep. Bradley Schneider:

The American Legion appreciates your efforts to codify Boots to Business as a mainstay of veteran specific programming at the SBA. The Boots to Business curriculum was created in response to the multi-agency effort to revamp DOD’s Transition Assistance Program in 2011. Since its inception, Boots to Business has become one of the more popular portions of the TAP classes and has served as our servicemember’s initial introduction to the SBA and their resource partners.

How can Congress and the SBA work with organizations like The American Legion to promote these programs and make sure veterans are aware of these opportunities?

The best way forward for The American Legion, Congress and the SBA to market entrepreneurial development programs to the veterans is to make these programs available and for SBA and their resource partners to work with the Legion and our 8000 legion posts across the US. Not every one of our members will go to a Boots to Business class, but chances are, they know someone who needs that service. So please continue to engage our posts at the state and district levels and let us help get the word out.

What differentiates private entrepreneurial training programs from those offered by the SBA’s Veterans Business Outreach Centers?

Regarding the differences in public and private entrepreneurial development programs: One way in which these programs differ is in the cost. In general almost all military or veteran facing small business programs the SBA grantees administer are free of charge. Whereas in the private sector, many entrepreneurial programs or incubator services extract a fee or take a piece of the business. The Legion works exclusively with SBA grantees like the Institute for Veterans Military and Families and the VBOCs, so all of the counseling and entrepreneurship events The Legion provides are free.

How can we adjust the Post 9/11 GI Bill to support veterans pursuing opportunities such as internships and apprenticeships? How else can we make these benefits more flexible for veterans to pursue careers and educational opportunities that best suit their needs?

In concept, The American Legion also supports a more flexible and cater to a broader scope of veterans’ needs. The Post 9/11 GI Bill was very generous, but it missed two categories of veterans. There are those who are not college-bound with a deep entrepreneurial spirit and those who already have degrees from higher education institutions who would rather use the Post 9/11 GI Bill benefit as financial backing for a business idea.

The American Legion supported Senator Moran's (R. KS) *Veterans Entrepreneurial Transition Act of 2015* that permitted veterans educational benefits to be paid out in grants for veteran entrepreneurs as long as the recipient enrolls in a select number of SBA entrepreneurial development programs and courses.

We echo your sentiment on expanding the parameters of the Post 9/11 GI Bill. At the end of the day, it's about choice. Expanding an earned benefit to appeal to a group of veteran entrepreneurs that feels that they have been left out in the Post 9/11 GI Bill simply gives the community one more avenue to gainful employment.

Questions concerning this testimony can be directed to Jonathan Espinoza, Legislative Associate, in The American Legion's Legislative Division at (202) 861-2700, or jespinoza@legion.org



February 7, 2019

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
2302 Rayburn House Office Building
Washington, DC 20515

The Honorable Steve Chabot
Ranking Member
Committee on Small Business
U.S. House of Representatives
2408 Rayburn House Office Building
Washington, DC 2051

Dear Chairwoman Velázquez and Ranking Member Chabot:

Competitive Carriers Association (“CCA”)¹ commends the House Committee on Small Business (“Committee”) for holding today’s important hearing on “Exploring Challenges and Opportunities of Underserved Businesses in the 21st Century.” One of the most challenging obstacles to overcome for a small business is to be on the wrong side of the digital divide, without access to the latest generation of broadband technology. There is no question that access to wireless broadband is a fundamental component of participation in the 21st century, and a key economic driver for our country and consumers.

As CCA has testified previously before this Committee, mobile broadband helps to power the United States economy and allows consumers in all areas – urban and rural – to access innovative services and technologies. Wireless broadband fuels benefits for rural consumers, schools, health care facilities, public safety, farmers, and businesses of all sizes. As this Committee knows well, small businesses play vital roles in the communities they serve and rely on dependable technology to advance their missions. Small and rural carriers help to achieve this mission and are critical to closing the digital divide by continuing to invest in their hometowns. The majority of CCA’s members live and work in the communities they serve, and share in the benefits powered by expanded wireless broadband service and the deployment of next-generation technologies. CCA members employ neighbors, sponsor local events and hometown teams, and host community service events, and power businesses striving to stay competitive in an increasingly technology-dependent world.

Closing the digital divide plaguing rural America is a top priority for Congress, the Federal Communications Commission (“FCC”), the Administration, and CCA are committed to work on that priority. Consumer demand for mobile broadband data is undeniable and growing at an exponential rate. In 2016, Americans consumed 1.8 exabytes of data on their smartphones, tablets, and other

¹ CCA is the nation’s leading association for competitive wireless providers and stakeholders across the United States. CCA’s membership includes nearly 100 competitive wireless providers ranging from small, rural carriers serving fewer than 5,000 customers to regional and national providers serving millions of customers. CCA also represents associate members including vendors and suppliers that provide products and services throughout the mobile communications supply chain.

devices connected to wireless networks. That is 1.8 billion gigabytes, or put another way, more than 7,000 times the total of all information stored in the Library of Congress, and use has only continued to grow

Data riding over mobile broadband networks has limitless potential for innovation. For example, next-generation services are transforming healthcare through remote monitoring and new health treatments. These networks also power drones and autonomous vehicles, both of which will become commonplace in a 5G world. Access to mobile broadband offers distance learning capabilities and sparks educational opportunities to teach students from hundreds of miles away from traditional educational environments. And, as this Committee explored last month, mobile broadband networks enable precision agriculture technologies that reduce economic resources and increase productivity on our nation's farmlands and ranchlands. The wireless "consumer" is no longer limited to individual people, evolving to encompass businesses of all sizes and types, including those that are rural.

CCA thanks the Committee for its bipartisan leadership to address challenges to small businesses, including lack of sufficient access to broadband. Despite important steps to date, challenges to ubiquitous wireless broadband availability remain. For example, policymakers must have reliable coverage maps depicting where coverage does, and does not exist, in order to develop solutions to bridge the gap. CCA stands ready to work with the Committee to continue progress to close the digital divide and provide all Americans with the latest mobile broadband services.

CCA commends the Committee for bringing an important voice to these issues, and looks forward to continued collaboration with the Committee, Congress, the FCC, and the Administration to realize the benefits of broadband for all businesses, including those serving rural and underserved areas.

Please do not hesitate to contact CCA with any questions.

Sincerely,

A handwritten signature in black ink, reading "Steven K. Berry". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Steven K. Berry
President & CEO
Competitive Carriers Association